



Andromeda

METALS

ACN 061 503 375

ANNUAL FINANCIAL REPORT

for the year ended

30 June 2018

Directors' Report

The directors present this Directors' Report and the attached annual financial report of Andromeda Metals Limited for the financial year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names and details of the directors of the Company during or since the end of the financial year are:

Rhoderick G J Grivas

BSc (Geology), MAusIMM – Non-Executive Chairman (appointed 27 October 2017)

Rhod Grivas is a geologist with over 25 years resource industry experience, including 16 years ASX listed company board experience. He is currently Non-Executive Chairman of ASX listed Golden Mile Resources Limited and was previously Managing Director of ASX and TSX listed gold miner Dioro Exploration NL, where he oversaw the discovery and development of a gold resource through feasibility into production.

Mr Grivas has a strong combination of equity market, M&A, commercial, strategic and executive management capabilities. He is the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee.

James E Marsh

BSc (Hons), MAusIMM - Managing Director (appointed 30 May 2018)

James Marsh is an industrial chemist and holds tertiary qualifications in chemistry and physics. He has extensive experience across a wide range of industrial minerals spanning a 25 year period, including senior technical and marketing roles with two global market leaders. He previously worked for 7 years as Business Development Manager for Active Minerals Australia, part of the Active Minerals International group, a worldwide leader in the production and marketing of kaolin and gel quality attapulgite clay minerals.

Mr Marsh has been instrumental in developing and launching industrial minerals products into established and new applications globally and has a successful track record in general management and sales.

Nicholas J Harding

*BA (Acc), Grad Dip (Acc), Grad Dip (App Fin), Grad Dip (Corp Gov), FCPA, F Fin, AGIA, ACIS
Executive Director and Company Secretary*

Nick Harding is a qualified accountant and company secretary with over 30 years' experience in the resources industry. He is a Fellow of CPA Australia, a Fellow of the Financial Services Institute of Australasia and a member of the Governance Institute of Australia and possesses qualifications in accounting, finance and corporate governance.

Mr Harding has held various senior roles with WMC Resources Limited, Normandy Mining Limited and Newmont Australia Limited. At WMC Resources over a period of 14 years to 1999 he held a number of senior management roles at both minesites and regional offices in Western Australia and South Australia including five years as Chief Financial Officer for Olympic Dam Operations, and four years as Chief Accountant and Business Planning Manager for the Copper Uranium Division.

In eight years from 1999 to 2006 at Normandy Mining and then Newmont Australia following the takeover by Newmont of Normandy, Mr Harding held the positions of General Manager Operations Finance and General Manager Planning and Analysis which respectively had responsibilities for accounting, finance and budgeting for 14 mining operations in Australia and overseas.

Andrew N Shearer

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

Andrew Shearer has been involved in the mining and finance industries for 23 years. With a geoscientific and finance background he has experience in the resources industry from exploration through to development. As a Resources Analyst, Mr Shearer has been exposed to the global resources sector

covering small to mid-cap resource stocks across a broad suite of commodities. Prior to moving into the finance sector he spent over a decade working in the minerals exploration industry in technical and senior management roles.

Mr Shearer brings strong professional skills and experiences in equity research, investor relations, valuations, supply and demand analysis and capital markets. He is currently a Senior Resource Analyst with PAC Partners Pty Ltd and is also a Non-Executive Director of ASX listed Northern Cobalt Limited.

Mr Shearer is the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

Colin G Jackson

MSc, BSc (Hons), DIC, Grad Dip Bus Admin – Non-Executive Chairman (resigned 27 October 2017)

Colin Jackson is a metallurgist and mineral process design engineer graduate of Birmingham University and Royal School of Mines, Imperial College, London University. He has over 40 years of industry experience and possesses a strong technical background and extensive copper-gold knowledge. In addition, he has substantial global financial market experience and has guided a number of companies from the exploration phase into production.

After ten years mine design and operating experience with Selection Trust Limited and RGC Limited, Mr Jackson became a Director of Research and Corporate for McIntosh Securities Ltd (now Bank of America Merrill Lynch) where he raised equity for a significant number of gold companies including Kidston Gold Mines and Placer Pacific Limited's IPO over a 12 year period. His next 8 years were dedicated to communication and investor relations roles at Newcrest Mining Limited and Normandy Mining Limited where he was Group Executive Corporate.

More recently Mr Jackson has held Non-Executive Director positions with Terramin Australia Limited, and chaired Intrepid Mines Limited and Red 5 Limited where he helped guide the financing and development of the Angas zinc mine in South Australia, the Paulsens underground gold mine in Western Australia, and the Siana open pit gold mine on the island of Mindanao in the Philippines.

Christopher G Drown

BSc (Hons), MAusIMM, MAICD – Managing Director (resigned 26 April 2018)

Chris Drown is a geologist with over 30 years' experience in the Australian exploration and mining industry. He is a member of the Australasian Institute of Mining and Metallurgy, a member of the Australian Institute of Company Directors, and a member of the Geological Society of Australia.

A graduate of the University of Tasmania, Mr Drown worked in underground nickel mines at Western Mining Corporation Limited's Kambalda operations in Western Australia and filled mining geology roles at Aberfoyle Resources Limited's Hellyer lead-zinc-silver deposit in western Tasmania.

In 1991, he moved from mine geology into exploration searching for base metal and gold deposits in the Northern Territory and South Australia.

Mr Drown was appointed exploration manager of Andromeda Metals shortly after it listed on the ASX and has since played a major role in the Company's activities. In March 2005 he accepted an invitation to join the Board of Andromeda Metals as an executive director and in November 2007 was appointed Managing Director.

Jonathan P Buckley

B Ec – Non-Executive Director (resigned 27 October 2017)

Jonathan Buckley is a corporate executive with extensive commercial and corporate finance experience spanning over 25 years in Australia and the UK. He was previously Group Managing Director for PhillipCapital Australia, part of a leading Asian financial group providing corporate finance, funds management, stockbroking and wealth management services in Australia. He has been a founding director of a number of fund management businesses in high growth sectors, including resources and healthcare.

Prior to establishing PhillipCapital Australia's corporate advisory business, Mr Buckley was Manager, Strategic Planning for Rothschild Asset Management UK based in London. He has also held roles with KPMG Management Consulting and Barclays de Zoete Wedd Securities in London.

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
R G J Grivas	Golden Mile Resources Limited	From March 2017 to present
	Canyon Resources Limited	December 2009 to July 2016
	Yojee Limited	April 2010 to June 2016
A N Shearer	Northern Cobalt Limited	From March 2017 to present

Principal Activities

The principal activity of the Group is the advancement of the Poochera Halloysite-Kaolin Project while seeking third party investment in its current portfolio of gold and copper exploration projects.

Operating and Financial Review

Strategy

To achieve the goal of growing shareholder wealth, Andromeda Metals' directors have formulated a Company strategy comprising the following key elements:

- The Company will maintain a focus on advancing the Poochera Halloysite-Kaolin Project from Pre-Feasibility through to eventual development and production, should final modelling determine this to be commercially viable. Consideration of a number of production streams, including direct shipping of raw ore, product beneficiation on site of raw material and possible downstream production of HPA product either locally or overseas, would be considered. Directors see the market for quality halloysite-kaolin product and HPA to be growing rapidly, and that the Poochera Project is a world-class deposit capable of supplying this rapidly expanding market.
- The Company will fund research to assist in the development of new market opportunities for halloysite-kaolin given the high purity halloysite found at Poochera and the forecast growth in demand for the product in emerging markets.
- The Company's Board believes it is in shareholders' best interests to divest or enter joint venture arrangements for its current portfolio of gold and copper projects in order to allow Andromeda Metals to focus of the advancement of the Poochera Project.
- The Company will adhere 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 year was a loss after income tax of \$832,707 (2017: loss of \$6,908,847).

Exploration and evaluation expenditure for the year was \$1,071,032 (2017: \$702,281) with funds directed towards drilling of the Bunyip prospect on the Drummond Gold Project, acquisition costs associated with the entities comprising the Pilbara Gold Project tenements and costs incurred under the newly formed Poochera Halloysite-Kaolin Joint Venture. Net operating cash outflows for the year totalled \$659,043 (2017: \$564,613). At the 30 June 2018 the Company held cash and cash equivalents totalling \$861,211 (2017: \$268,336). An impairment of capitalised exploration expenditures of \$nil (2017: \$6,069,107) was also recorded for the year.

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, \$99,605 was raised through the exercise of listed and unlisted options during the year.

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. On 26 April 2018, Mr Chris Drown resigned as Managing Director and from the Board and was replaced by Mr James Marsh on 30 May 2018.

Exploration and Evaluation Activities

During the 2017/18 financial year Andromeda Metals' exploration effort was directed towards undertaking an initial drill program to test the Bunyip prospect located on the Drummond Gold Project while in addition advancing the Poochera Halloysite-Kaolin Project which is the subject to a Joint Venture agreement entered into by the Company during the year with Minotaur Exploration Limited (MEP).

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 Limited. An additional focus has been on securing third party investment in the in-situ recovery potential for copper within the Moonta Copper Project.

Poochera Halloysite-Kaolin Project

On 26 April 2018 Andromeda Metals (ADN) announced the signing of a binding Joint Venture Agreement with MEP to acquire up to a 75% interest the world class halloysite-kaolin-high purity alumina (HPA) project in South Australia. The project delivers to ADN an advanced project potentially capable of rapid advancement through feasibility to a development decision within 2-3 years.

The Poochera Project includes the Carey's Well deposit, a high-quality halloysite-kaolin resource with potential to manufacture HPA. HPA is a new age material critical in the manufacture of high-tech products in the battery technologies and energy storage sector, LED lighting industry and sapphire glass used in smart phones and TV screens. Carey's Well also contains halloysite, a form of kaolin with a nanotube structure, and which has strengthening applications in the ceramics and cement industries and presents niche market opportunities in the nanotechnology sector. Indicative non-binding offtake agreements for a combined halloysite-kaolin product are in place with Asian ceramic manufacturers and preparations are currently underway to provide a bulk sample from Carey's Well to a potentially large Chinese customer.

The principal terms of the Poochera Halloysite-Kaolin Joint Venture include:

- MEP granted ADN an exclusive 60 day Option Period to complete due diligence investigations for a non-refundable fee of \$70,000, which included HPA testwork on Carey's Well material. ADN exercised the option over the project on 22 June 2018;
- ADN is required to the sole fund a minimum of a further \$330,000 by 26 January 2019 on a work program determined by the Company before it has a right to withdraw;
- ADN can subsequently earn a 51% interest in the Joint Venture on expenditure of \$2.6M (ie \$3.0M in total) within 2 years of execution of the Joint Venture Agreement;
- ADN can then elect to sole contribute a further \$3.0M over a further 3 years to acquire a further 24% equity (ie 75% in total);
- ADN's interest will convert to 75% on the earlier of either completion of the second \$3.0M tranche or a Decision to Mine is made by the Joint Venture Committee;
- ADN will manage and operate the Joint Venture whilst it is the sole contributing party and thereafter while ever it holds majority equity.

Since exercising the option, the Company has quickly moved to advance the project by:

- upgrading the Mineral Resource at Carey's Well to 2012 JORC Code guidelines which has seen an increase from the previous 2004 JORC Code from 16.3 million tonnes to 23.9 million tonnes of bright white kaolinised granite using an ISO Brightness R457 cut-off of 75 for minus 45 micron kaolin product;

- confirmation of a 99.99% 4N purity of Al₂O₃ premium grade product from Carey's Well material suitable for HPA manufacture using a single stage process, with testing now underway to determine if 5N quality is attainable;
- a bulk sample of up to 200 tonnes of halloysite-kaolin ore from Carey's Well to be extracted and shipped to a significant Chinese ceramics producer during the second half of 2018 with a view to potentially locking in a binding long-term contract for supply of direct shipping ore;
- progressing the determination of a halloysite Mineral Resource for Carey's Well;
- updating the internal Scoping Study previously prepared by MEP as a precursor to undertaking a full Pre-Feasibility Study.

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 as located within 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.

During March 2018 the Company completed a 23 hole reverse circulation drilling program for 1906 metres at the Bunyip prospect in which some promising early gold intersections were recorded including 2 metres at 4.36g/t gold from 8 metres and 4 metres at 5.15g/t from 7 metres, and with the majority of the holes encountering significant quartz veining confirming that the epithermal style of mineralisation discovered is the same at the nearby Pajingo (>3Moz) and Wirralie (1.1Moz).

On 31 August 2018 a binding Earn-in and Exploration Joint Venture Agreement was executed with Evolution Mining Limited over the Drummond Gold Project which will see Evolution spend up to \$6.5 million over four years to earn up to 80% equity in the Project

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 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 elected not to contribute to the 2018 program and to thus dilute ADN's equity interest in the joint venture. Consequently, if IVR were to sole-fund the proposed 2018 program, the Company's equity in the Thurlga Joint Venture would fall to approximately 20%.

On 19 September 2018 IVR provided the Company with formal notification that it had decided to withdraw from the Thurlga Joint Venture as manager and return the Thurlga tenement to the Company. Consequently, the joint venture will be dissolved and ADN will retain full ownership of the Thurlga tenement.

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 reverted back to 100% ownership of the Rover tenements.

During May 2018, Minotaur Exploration Limited (MEP) completed a review of the Rover Project which included a site visit and trial geophysics (Squid EM) on two selected prospects. The trial proved inconclusive and MEP decided not to proceed with a Joint Venture over the project.

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 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 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.

Outlook and Future Developments

Subject to funding, the focus of the Company will be directed towards advancing the Poochera Halloysite-Kaolin Project. Key steps will include:

- Bulk sampling of Carey's Well ore for full-scale processing and product trials in China and Australia;
- Commencement of regulatory permitting and approval processes;
- Continuation of environmental studies as part of the permitting process;
- HPA optimisation testwork;
- Halloysite high-tech application research;
- Commencement of feasibility studies;
- Resource upgrades, focussing on high value halloysite.

Dividends

No dividends were paid or declared since the start of the financial year, and the directors do not recommend the payment of dividends in respect of the financial year.

Changes in State of Affairs

There was no significant change in the state of affairs of the Group during the financial year.

Subsequent Events

On 7 August 2018 the Company issued a total of 183,333,333 ordinary shares under a share placement at an issue price of 0.6 cents per share to professional and sophisticated investors raising \$1,100,000 before costs to be used primarily to advance the Company's Poochera Halloysite-Kaolin Joint Venture Project in South Australia.

On 31 August 2018 a binding Earn-in and Exploration Joint Venture Agreement was executed with Evolution Mining Limited over the Company's Drummond Gold Project in north Queensland which will see Evolution spend up to \$6.5 million over four years to earn up to 80% equity in the Project.

On 19 September 2018 Investigator Resources Limited provided the Company with 30 days notice of its decision to withdraw from the Thurlga Joint Venture as manager and return the Thurlga tenement to the Company.

Other than the above, there were no other matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Environmental Developments

The Group carries out exploration activities on its properties in South Australia, Queensland and in the Northern Territory. No mining activity has been conducted by the Group on its properties.

The Group's exploration operations are subject to environmental regulations under the various laws of South Australia, Queensland the Northern Territory, and the Commonwealth. While its exploration activities to date have had a low level of environmental impact, the Group has adopted a best practice approach in satisfaction of the regulations of relevant government authorities.

Meetings of Directors

The number of meetings of the Company's Board of Directors attended by each director during the year ended 30 June 2018 was:

	Meetings held while in office	Meetings attended
R G J Grivas	4	4
J E Marsh	2	2
N J Harding	14	14
A N Shearer	4	4
C G Jackson	10	10
C G Drown	12	12
J P Buckley	10	10

The Company held two meetings of the Audit and Risk Committee during the year ended 30 June 2018. The members of this committee comprise A N Shearer (Chairman) and R G J Grivas.

There were two meetings held of the Remuneration Committee during the year ended 30 June 2018. The members of this committee comprise R G J Grivas (Chairman) and A N Shearer.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 18 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 18 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Shares issued under the Loan Funded Employee Share Plan or issued on meeting the performance conditions

Details of issued shares under the LFESP as at the date of this report were:

Issuing entity	Number of shares under LFESP	Class of shares	Exercise price of LFESP shares	Vesting date of LFESP shares	Expiry date of LFESP shares
Andromeda Metals Limited	2,812,500	Ordinary	\$0.010	31 December 2016	31 December 2020
Andromeda Metals Limited	378,000	Ordinary	\$0.018	31 December 2016	30 June 2021
Andromeda Metals Limited	1,792,000	Ordinary	\$0.010	31 December 2017	31 December 2021
Andromeda Metals Limited	2,100,000	Ordinary	\$0.006	31 December 2018	31 December 2022

Shares under share options or issued on exercising of share options

Details of unissued shares under share options as at the date of this report were:

Issuing entity	Number of shares under share options	Class of shares	Exercise price of share options	Expiry date of performance rights
Andromeda Metals Limited	2,476,507	Ordinary	\$0.015	31 March 2019
Andromeda Metals Limited	486,280,451	Ordinary	\$0.012	30 November 2020

Details of shares issued during or since the end of the financial year as result of the vesting of share options are:

Issuing entity	Number of shares under share option	Class of shares	Amount paid for shares	Amount unpaid on shares
Andromeda Metals Limited	5,799,802	Ordinary	\$0.012	\$nil
Andromeda Metals Limited	2,000,460	Ordinary	\$0.015	\$nil

Auditors Independence Declaration

The auditor's independence declaration is included on page 17 of the financial report.

Indemnification of Officers and Auditors

During the year the Company arranged insurance cover and paid a premium for directors in respect of indemnity against third party liability. At the Annual General Meeting of the Company held on 17 November 1997 shareholders resolved to extend the indemnification for a period of seven years after a director ceases to hold office. In accordance with the terms and conditions of the insurance policy, the amount of the premium paid has not been disclosed on the basis of confidentiality, as is permitted under Section 300 (9) of the Corporations Act 2001.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by an officer or auditor.

Directors' Shareholdings

The following table sets out each director's relevant interest in shares in the Company as at the date of this report.

Directors	Fully paid ordinary shares Number	Options to acquire ordinary shares Number
R G J Grivas	-	12,745,159
J E Marsh	-	-
N J Harding	2,171,993	723,998
A N Shearer	-	8,496,773
	2,171,993	21,965,930

The above table includes shares held by related parties of directors.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and other key management personnel of the Company and its wholly owned subsidiaries.

Director and Other Key Management Personnel Details

The following persons acted as key management personnel of the Group during or since the end of the financial year:

R G J Grivas (Non-Executive Chairman) – appointed 27 October 2017
J E Marsh (Managing Director) – appointed 30 May 2018
N J Harding (Executive Director and Company Secretary)
A N Shearer (Non-Executive Director) – appointed 27 October 2017
C G Jackson (Non-Executive Chairman) – resigned 27 October 2017
C G Drown (Managing Director) – resigned 26 April 2018
J P Buckley (Non-Executive Director) – resigned 27 October 2017

Relationship between the Remuneration Policy and Company Performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2018:

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Revenue	5,815	4,989	15,443	47,327	96,474
Net profit / (loss) before tax	(683,544)	(6,847,987)	(3,882,933)	(1,140,160)	(6,660,624)
Net profit / (loss) after tax	(832,707)	(6,908,847)	(3,940,324)	(1,189,928)	(6,684,454)

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Share price at beginning of the year	\$0.006	\$0.02	\$0.02	\$0.04	\$0.10
Share price at end of year	\$0.007	\$0.006	\$0.02	\$0.02	\$0.04
Basic earnings per share	\$(0.0012)	\$(0.0174)	\$(0.0117)	\$(0.0044)	\$(0.0296)
Diluted earnings per share	\$(0.0012)	\$(0.0174)	\$(0.0117)	\$(0.0044)	\$(0.0296)

No dividends have been declared during the five years ended 30 June 2018 and the directors do not recommend the payment of a dividend in respect of the year ended 30 June 2018.

There is no link between the Company's performance and the setting of remuneration except as discussed below in relation to shares issued under the Loan Funded Employee Share Plan (LFESP) for key management personnel.

Remuneration Philosophy

The performance of the Group depends on the quality of its directors and other key management personnel and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre directors and other key management personnel;
- link executive rewards to shareholder value (by the granting of shares under the LFESP);
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The above framework is reliant on the business having the financial capacity to deliver on the principles. Where this is not the situation, executive and director loyalty to shareholders may require short term sacrifice to maintain the viability of the business.

Remuneration Policy

The Company has established a Remuneration Committee to assist the Board in discharging its responsibilities relating to the remuneration of directors and other key management personnel. The Committee makes recommendations on all remuneration matters for consideration by the Board.

The Committee assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality directors and other key management personnel. External advice on remuneration matters is sought whenever the Committee deems it necessary. No advice was obtained during the year ended 30 June 2018 (2017: nil).

The remuneration of the directors and other key management personnel is not dependent on the satisfaction of a performance condition, other than as discussed below.

Non-Executive Director Remuneration

The Board of Directors seeks to set remuneration of Non-Executive Directors at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development.

The Non-Executive Chairman is entitled to receive \$50,000 (2017: \$57,200) per annum excluding statutory superannuation. The Non-Executive Director is entitled to receive \$35,000 (2017: \$34,920) per annum excluding statutory superannuation.

In addition, Non-Executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of directors and otherwise in the execution of their duties as directors.

Outstanding accrued director fees due to the outgoing Non-Executive Directors were settled with the payment of \$22,831 to Mr Jackson and \$10,367 to Mr Buckley on the 31 October 2017 and the issue of 4,465,000 shares to Mr Jackson and 2,270,373 shares to Mr Buckley on the 11 December 2017 following approval by shareholders at the 2017 Annual General Meeting.

Managing Director Remuneration

The Company aims to reward the Managing Director with a level and mix of remuneration commensurate with his position and responsibilities within the Company to:

- align the interests of the Managing Director with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Other Key Management Personnel Remuneration

The Company aims to remunerate other key management personnel at a level commensurate with their position and responsibility within the Company.

Currently the Company has a service agreement with an entity associated with N J Harding, details of which are set out below.

Summary of amounts paid to Key Management Personnel

The table below discloses the compensation of the key management personnel of the Group during the year.

2018	Short-term employee benefits Salary & Fees ⁽ⁱ⁾ \$	Post employment superannuation \$	Termination benefits \$	Sub total \$	Share Based Payments ⁽ⁱⁱ⁾	Total \$
R G J Grivas ⁽ⁱⁱⁱ⁾	40,805	3,192	-	43,997	52,344	96,341
J E Marsh ^(vi)	16,759	1,592	-	18,351	-	18,351
N J Harding	191,059	-	-	191,059	4,255	195,314
A N Shearer ⁽ⁱⁱⁱ⁾	23,523	2,235	-	25,758	34,896	60,654
C G Jackson ^(iv)	19,067	1,811	-	20,878	-	20,878
C G Drown ^(v)	179,095	-	-	179,095	399	179,494
J P Buckley ^(iv)	11,640	1,106	-	12,746	-	12,746
2018 Total	481,948	9,936	-	491,884	91,894	583,778

(i) Includes consulting fees paid.

(ii) Share based payments do not represent cash payments to key management personnel and the related shares may or may not ultimately vest. The amounts include a negative adjustment for performance rights granted in prior years that forfeited during the year due to not meeting the performance conditions (C G Drown \$10,876 and N J Harding \$3,764).

(iii) Appointed 27 October 2017

(iv) Resigned 27 October 2017.

(v) Resigned 26 April 2018

(vi) Appointed 30 May 2018

2017	Short-term employee benefits Salary & Fees ⁽ⁱⁱ⁾ \$	Post employment superannuation \$	Termination benefits \$	Sub total \$	Share Based Payments ⁽ⁱⁱⁱ⁾	Total \$
C G Jackson	57,200	5,434	-	62,634	-	62,634
C G Drown ⁽ⁱ⁾	184,363	-	-	184,363	9,124	193,487
N J Harding ⁽ⁱ⁾	187,234	-	-	187,234	5,167	192,401
J P Buckley	34,920	3,317	-	38,237	-	38,237
M A Manly ^(iv)	69,683	6,620	-	76,303	(1,373)	74,930
2017 Total	533,400	15,371	-	548,771	12,918	561,689

i) Includes consulting fees paid

ii) Included in the short-term employment benefits are the following amounts which the directors voluntarily deferred and agreed not to be paid until the Company had sufficient funds (C G Jackson \$28,992, C G Drown \$8,723, N J Harding \$18,963 and J P Buckley \$13,144).

iii) Share based payments do not represent cash payments to key management personnel and the related shares may or may not ultimately vest. The amounts include a negative adjustment for performance rights granted in prior years that forfeited during the year due to not meeting the

performance conditions (C G Drown \$10,387, N J Harding \$5,771 and M A Manly \$3,408).
iv) Resigned 15 February 2017.

No key management personnel appointed during the year received a payment as part of his consideration for agreeing to hold the position.

Service Agreements

The Group entered into service agreements with entities associated with C G Drown and N J Harding for a term of six months to 30 June 2016. Both service agreements have since continued under the same terms until 30 June 2018. C G Drown resigned from the Company on 26 April 2018.

Details of the current services and consultancy agreements are set out below:

2018

Key Management Personnel	Terms
C G Drown	Daily rate of \$860
N J Harding	Daily rate of \$765

2017

Key Management Personnel	Terms
C G Drown	Daily rate of \$860
N J Harding	Daily rate of \$765

From 1 February 2017 to 30 September 2017, 30% of the above daily rates were deferred and recorded as an accrual which was settled on 31 October 2017.

The Company or the entity associated with N J Harding may terminate the agreement by giving two months notice respectively. The Group has a contingent liability of \$30,600 (2017: \$47,800) in relation to this agreement, where the employee is not required to work out the notice period.

The Group entered into a consultancy agreement with R G J Grivas on 27 October 2017 to provide consulting services on an as needs basis at the rate of \$900 per day. A total of \$7,200 was paid under this agreement during the year.

The Group entered into a consultancy agreement with J P Buckley on 7 April 2014 to provide consulting services on an as needs basis at the rate of \$2,000 per day. There were no payments made under this agreement during the year (2017: \$nil).

Payments under the above service agreements are included in the remuneration table.

Shares held by Key Management Personnel under the Loan Funded Employee Share Plan

At the Annual General Meeting held on 30 November 2015 the shareholders approved the Company's LFESP. Fully paid ordinary shares will be held by the trustee of the LFESP and transferred to key staff member of the Company on achieving certain Company and personal KPIs and the payment of the share issue price, as long as the holder remains employed by the Company. An interest-free loan will be provided by the Company to each key staff member to acquire the shares that are held by the trustee under the terms of the LFESP. The current Managing Director has not yet met the qualification period to participate in the LFESP.

At the Annual General Meeting held on the 30 November 2015, the shareholder's approved the granting of 4,500,000 fully paid ordinary shares to the former Managing Director and 2,500,000 ordinary shares to the Executive Director under the LFESP (the value of these shares issued to the former Managing Director and Executive Director were \$24,119 and \$13,400 respectively). The shares are to be transferred to the director on the achievement of those KPI's met by 31 December 2016 and the payment of \$0.01 per share for those shares to which vested by 1 January 2021.

The KPIs for the former Managing Director were as follows:

- up to 2,250,000 shares will vest based on the Company's share performance against a peer group relative share price performance during the calendar year 2016; and
- up to 2,250,000 shares will vest on the achievement of various KPIs based on his personal performance during the calendar year 2016.

As at 31 December 2016 some of the KPIs were met resulting in 1,687,500 shares becoming unrestricted and 2,812,500 shares were returned to the trustee for future allocations. On payment of \$0.01 per share the unrestricted shares will be issued to the former Managing Director. As at the date of this report this has not occurred.

The KPIs for the Executive Director were as follows:

- up to 1,000,000 shares will vest based on the Company's share performance against a peer group relative share price performance during the calendar year 2016; and
- up to 1,500,000 shares will vest on the achievement of various KPIs based on his personal performance during the calendar year 2016.

As at 31 December 2016 some of the KPIs were met resulting in 1,125,000 shares becoming unrestricted and 1,375,000 shares were returned to the trustee for future allocations. On payment of \$0.01 per share the unrestricted shares will be issued to the Executive Director. As at the date of this report this has not occurred.

At the Annual General Meeting held on the 30 November 2016, the shareholder's approved the granting of 2,300,000 fully paid ordinary shares to the former Managing Director and 1,300,000 ordinary shares to the Executive Director under the LFESP (the value of these shares issued to the former Managing Director and Executive Director were \$16,647 and \$9,409 respectively). The shares are to be transferred to the director on the achievement of those KPI's met by 31 December 2017 and the payment of \$0.01 per share for those shares to which vested by 1 January 2022.

The KPIs for the former Managing Director were as follows:

- up to 1,150,000 shares will vest based on the Company's share performance against a peer group relative share price performance during the calendar year 2017; and
- up to 1,150,000 shares will vest on the achievement of various KPIs based on his personal performance during the calendar year 2017.

As at 31 December 2017 some of the KPIs were met resulting in 1,012,000 shares becoming unrestricted and 1,288,000 shares were returned to the trustee for future allocations. On payment of \$0.01 per share the unrestricted shares will be issued to the former Managing Director. As at the date of this report this has not occurred.

The KPIs for the Executive Director are as follows:

- up to 520,000 shares will vest based on the Company's share performance against a peer group relative share price performance during the calendar year 2017; and
- up to 780,000 shares will vest on the achievement of various KPIs based on his personal performance during the calendar year 2017.

As at 31 December 2017 some of the KPIs were met resulting in 780,000 shares becoming unrestricted and 520,000 shares were returned to the trustee for future allocations. On payment of \$0.01 per share the unrestricted shares will be issued to the Executive Director. As at the date of this report this has not occurred.

At the Annual General Meeting held on the 30 November 2017, the shareholder's approved the granting of 1,800,000 fully paid ordinary shares to the former Managing Director and 1,800,000 ordinary shares to the Executive Director under the LFESP (the value of these shares issued to the former Managing Director and Executive Director were \$7,143 and \$7,143 respectively). The shares are to be transferred to the director on the achievement of those KPI's met by 31 December 2018 and the payment of \$0.006 per share for those shares to which vested by 1 January 2023.

The KPIs for the former Managing Director were as follows:

- up to 900,000 shares will vest based on the Company's share performance against a peer group relative share price performance during the calendar year 2018; and
- up to 900,000 shares will vest on the achievement of various KPIs based on his personal performance during the calendar year 2018.

The former Managing Director resigned on 26 April 2018. The Board determined that 300,000 shares become unrestricted and 1,500,000 shares returned to the trustee for future allocation. On payment of \$0.006 per share the unrestricted shares will be issued to the former Managing Director. As of the date of this report this has not occurred.

The KPIs for the Executive Director are as follows:

- up to 720,000 shares will vest based on the Company's share performance against a peer group relative share price performance during the calendar year 2018; and
- up to 1,080,000 shares will vest on the achievement of various KPIs based on his personal performance during the calendar year 2018.

Value of shares granted under the LFESP – basis of calculation

- Value of shares granted under the LFESP is calculated by multiplying the fair value of shares granted by the number of shares granted during the financial year.
- The shares are issued once the KPIs have been met and the loan has been repaid. The value of shares issued under the LFESP is calculated by multiplying the fair value of shares at the date of issue (calculated as the difference between consideration paid and the Australian Securities Exchange last sale price on the day that the shares were issued) by the number of shares issued during the financial year.
- Value of shares granted under the LFESP forfeited/cancelled is calculated by multiplying the fair value of shares granted at the time they were forfeited/cancelled multiplied by the number of shares forfeited/cancelled during the financial year.

The total value of shares granted under the LFESP included in compensation for the financial year is calculated in accordance with Accounting Standard AASB 2 "Share-based Payment". Shares granted under the LFESP during the financial year are recognised in compensation over their vesting period.

Equity holdings of Key Management Personnel as at 30 June 2018

Fully paid ordinary shares issued by Andromeda Metals Limited

	Balance 01/07/17	Issued as result of Rights Issue	Shares issued under the LFESP	Other Changes	Balance 30/06/18
R G J Grivas	-	-	-	-	-
J E Marsh	-	-	-	-	-
N J Harding	1,447,995	723,998	-	-	2,171,993
A N Shearer	-	-	-	-	-

Listed options issued by Andromeda Metals Limited

	Balance 01/07/17	Granted	Exercised	Lapsed	Balance 30/06/18	Vested and exercisable
R G J Grivas	-		-			See Note 14 for details
J E Marsh	-		-			See Note 14 for details
N J Harding	241,333	723,998	-	(241,333)	723,998	See Note 14 for details
J P Buckley	-		-			See Note 14 for details

Shares held by the trustee of the LFESP

	Balance 01/07/17	Granted	Exercised	Forfeited/ Cancelled	Balance 30/06/18	Vested and exercisable
N J Harding	2,425,000	1,800,000	-	(520,000)	3,705,000	See Note 16 for details

Signed in Adelaide this 28th day of September 2018 in accordance with a resolution of the Directors.



J E Marsh
Managing Director



A N Shearer
Non-Executive Director

Competent Person and JORC 2012 Compliance Statements

Poochera Halloysite-Kaolin Project Resource Estimates

The data in this report that relates to Mineral Resource Estimates including Exploration Target for the Carey's Well Kaolin Project is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 (the "JORC Code"). Mr Tear is a Director of H&S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

Poochera Halloysite-Kaolin Project metallurgical testwork

Information in this announcement relating to the Process Development Test Work is based on test work results completed by BHM Process Independent Consultants and compiled by Mr James Marsh, a member of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Marsh an employee of the Andromeda Metals Limited has sufficient experience, which is relevant to metal recovery from the style of mineralisation and type of deposits under consideration and to the activity being undertaking to qualify as a Competent Persons under the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. This includes over 29 years of experience in kaolin processing and applications. Mr Marsh consents to the inclusion of the technical data 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.

28 September 2018

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

Dear Board Members

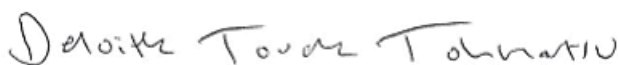
Auditor's Independence Declaration to Andromeda Metals Limited

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.

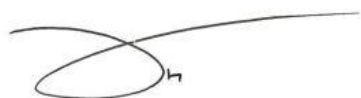
As lead audit partner for the audit of the financial report of Andromeda Metals Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Darren Hall
Partner
Chartered Accountants

**Consolidated Statement of Profit or Loss and Other Comprehensive Income for the
Year ended 30 June 2018**

	Note	Year Ended 30/06/18 \$	Year Ended 30/06/17 \$
Revenue	4(a)	5,815	4,989
Other income	4(b)	207,564	141,606
Impairment of exploration expenditure	8	-	(6,069,107)
Exploration expense written off	8	(87,975)	(253,540)
Administration expenses		(282,165)	(240,902)
Corporate consulting expenses		(213,794)	(207,550)
Company promotion		(36,712)	(52,957)
Salaries and wages		(21,528)	(8,335)
Directors fees		(94,569)	(92,120)
Occupancy expenses		(55,200)	(55,200)
Share based remuneration		(104,980)	(14,871)
Loss before income tax	4(b)	(683,544)	(6,847,987)
Tax expense	5	(149,163)	(60,860)
Loss for the period		(832,707)	(6,908,847)
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the period		(832,707)	(6,908,847)
Earnings Per Share			
Basic (cents per share) – (Loss)/profit	24	(0.12)	(1.74)
Diluted (cents per share) – (Loss)/profit	24	(0.12)	(1.74)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2018

	Note	30/06/18 \$	30/06/17 \$
CURRENT ASSETS			
Cash and cash equivalents		861,211	268,336
Trade and other receivables	6	33,110	36,912
TOTAL CURRENT ASSETS		894,321	305,248
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	8	5,341,279	4,358,222
Plant and equipment	9	7,750	4,260
Other financial assets	7	108,000	123,547
TOTAL NON-CURRENT ASSETS		5,457,029	4,486,029
TOTAL ASSETS		6,351,350	4,791,277
CURRENT LIABILITIES			
Trade and other payables	10	193,943	195,705
Other liabilities	11	-	66,313
TOTAL CURRENT LIABILITIES		193,943	262,018
NON-CURRENT LIABILITIES			
Provisions	12	16,724	9,214
Other liabilities	13	975,517	888,152
TOTAL NON-CURRENT LIABILITIES		992,241	897,366
TOTAL LIABILITIES		1,186,184	1,159,384
NET ASSETS		5,165,166	3,631,893
EQUITY			
Issued capital	14	40,025,378	38,055,344
Reserves	15	432,379	36,433
Accumulated losses		(35,292,591)	(34,459,884)
TOTAL EQUITY		5,165,166	3,631,893

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

**Consolidated Statement of Changes in Equity for the
Year ended 30 June 2018**

	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	-	-	-	(6,908,847)	(6,908,847)
Total comprehensive income for the period	-	-	-	(6,908,847)	(6,908,847)
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
Issue of share capital through a rights issue at 0.8 cents	310,022	-	-	-	310,022
Costs associated with the issue of shares	(202,866)	-	-	-	(202,866)
Related income tax	60,860	-	-	-	60,860
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	-	-	34,437	-	34,437
Transfer of cancelled shares under the loan funded employee share plan as conditions not achieved	-	-	(24,988)	5,422	(19,566)
Balance at 30 June 2017	38,055,344	-	36,433	(34,459,884)	3,631,893
Loss attributable to the period	-	-	-	(832,707)	(832,707)
Total comprehensive income for the period	-	-	-	(832,707)	(832,707)
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	(497,208)	279,165	-	-	(218,043)
Related income tax	149,163	-	-	-	149,163
Shares issued on the exercise of listed options	69,597	-	-	-	69,597
Shares issued on the exercise of unlisted options	30,007	-	-	-	30,007
Transfer from other liabilities on exercise of listed options	6,123	11,801	-	-	17,924
Fair value of options issued to new directors	-	87,240	-	-	87,240
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 shares issued to employees under the loan funded employee share plan	-	-	17,740	-	17,740
Balance at 30 June 2018	40,025,378	378,206	54,173	(35,292,591)	5,165,166

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

**Consolidated Statement of Cash Flows for the
Year ended 30 June 2018**

	Inflows/(Outflows)	
	Year Ended 30/06/18 \$	Year Ended 30/06/17 \$
Cash flows relating to operating activities		
Receipts from customers	6,600	11,000
Payments to suppliers and employees	(665,643)	(575,613)
Net operating cash flows (Note (a))	(659,043)	(564,613)
Cash flows relating to investing activities		
Interest received	6,170	4,862
Refund of environmental bond	16,047	-
Payment of environmental bonds	(500)	(23,376)
Government grants received	87,365	203,529
Purchase of tenements (Note 27)	(100,000)	-
Payments for exploration and evaluation expenditure	(769,493)	(749,825)
Joint venture cancellation fee received	145,000	-
Proceeds from the sale of plant and equipment	4,200	22,000
Payments for plant and equipment	(6,154)	(3,057)
Net investing cash flows	(617,365)	(545,867)
Cash flows relating to financing activities		
Proceeds from share and equity options issued	2,091,544	1,195,974
Payments for capital raising costs	(222,261)	(165,556)
Net financing cash flows	1,869,283	1,030,418
Net increase in cash	592,875	(80,062)
Cash at beginning of financial year	268,336	348,398
Cash at end of financial year	861,211	268,336
Note (a): Reconciliation of loss for the period to net cash flow from operating activities.		
Loss for the period	(832,707)	(6,908,847)
Interest revenue	(5,815)	(4,989)
Share based remuneration	104,980	14,871
Government grants	-	(108,777)
Fair value of equity options	(48,389)	(2,368)
Director fees paid in shares	40,412	-
Depreciation	2,664	21,184
Gain on sale of plant and equipment	(4,200)	(19,467)
Exploration written off or impaired	87,975	6,322,647
Settlement on cancellation of joint venture	(145,000)	-
Share issue costs	149,163	60,860
(Increase) decrease in receivables	(17,531)	34,043
Increase/(decrease) in payables	1,895	28,642
Increase/(decrease) in provisions	7,510	(2,412)
Net operating cash flows	(659,043)	(564,613)

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

Notes to the Financial Statements for the Financial Year Ended 30 June 2018

1. General information

Andromeda Metals Limited (the Company) is a listed public company, incorporated in Australia and operating in Australia.

Andromeda Metals Limited's registered office and its principal place of business are as follows:

Registered office

69 King William Road
Unley
South Australia 5061

Principal place of business

69 King William Road
Unley
South Australia 5061

2. Adoption of new and revised Accounting Standards

In the current year, 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 its operations and effective for the current annual reporting period, resulting in no accounting policy changes and no changes to recognition and measurement.

Various other Standards and Interpretations were on issue but were not yet effective at the date of authorisation of the financial report. The issue of these Standards and Interpretations do not affect the Group's present policies and operations. The directors anticipate that the adoption of these Standards and Interpretations in future periods will not affect the amounts recognised in the financial statements of the Group but may change the disclosure presently made in the financial statements of the Group.

3. Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28th September 2018.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Ore reserve and resource estimates

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the JORC Code)). Reserves determined in this way are taken into account in the calculation of impairment expenditure.

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 year ended 30 June 2018 the Group incurred a net loss of \$832,707 (30 June 2017: \$6,908,847), had a net cash outflow from operating activities of \$659,043 (30 June 2017: \$564,613) and net cash outflows from investing activities (principally exploration and evaluation expenditure) of \$617,365 (2017: \$545,867). At 30 June 2018, the Group has cash reserves of \$861,211 (30 June 2017: \$268,336).

The directors have prepared cash flow forecasts which indicate that the current cash resources will be sufficient to fund planned exploration and evaluation expenditures, along with meeting all working capital requirements, without the raising of additional funds for the next 12 months from the date of this report. The directors are confident that the Company will be able to raise additional funding (which may include an offer to shareholders via a pro-rata issue or share purchase plan, a direct placement to professional and sophisticated investors or a sale or partial sale of some of the Group's exploration interests) over the 12 month period to 30 September 2019 and the Board continues to review various capital raising opportunities.

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

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

Accounting Policies

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect

of employee benefits, expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

c) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest, are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale: or
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 “Exploration for and Evaluation of Mineral Resources”) suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

d) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories; financial assets ‘at fair value through profit or loss’, ‘held to maturity investments’, ‘available-for-sale’ financial assets, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit and loss'.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

e) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense or;
- ii) for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

f) Impairment of assets (other than exploration and evaluation)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. Andromeda Metals Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

h) Joint ventures

Interests in jointly controlled operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint arrangements, the share of liabilities incurred in relation to the joint arrangements and the share of any expenses incurred in relation to the joint arrangements in their respective classification categories.

i) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate

is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

j) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment – at cost 3-5 years

k) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to

transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

l) Revenue

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is that rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

m) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 16.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

n) Government grants

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grant will be received. Government grants whose primary condition is to assist with exploration activities are recognised as deferred income in the balance sheet and recognised as income on a systematic basis when the related exploration and evaluation is written off.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income in the period in which it becomes receivable.

o) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of their fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 "Income Taxes" and AASB 119 "Employee Benefits" respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 "Share-based Payment"; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

4. LOSS FROM OPERATIONS

	Year Ended 30/06/18 \$	Year Ended 30/06/17 \$
a) Revenue from continuing operations consisted of the following items		
Interest income:		
Bank deposits	5,815	4,989
b) Loss for the year includes the following gains and losses		
Other income		
Gain on sale of plant and equipment	4,200	19,467
Government grants	-	108,777
Change in fair value of equity options (Note 11)	17,132	2,368
Sub-lease rent and administration charge	9,975	7,125
Joint venture cancellation fee received	145,000	-
Other	-	3,869
	<u>176,307</u>	<u>141,606</u>
Other expenses		
Employee benefit expense:		
Post employment benefits:		
Accumulated benefit superannuation plans	16,284	25,045
Share based payments:		
Equity settled share-based payments (shares issued under the LFESP) (i)	104,980	14,871
Other employee benefits	541,564	635,229
	<u>662,828</u>	<u>675,145</u>
Less amounts capitalised in exploration and evaluation expenditure	(221,272)	(349,845)
	<u>441,556</u>	<u>325,300</u>
Depreciation of plant and equipment	2,664	21,184
Operating lease rental expenses	55,200	55,200

- (i) Share based payments relate to the amortisation of shares granted under the LFESP to employees. Shares granted under the LFESP do not represent cash payments and may or may not be exercised (paying the related loan amount) by the employee.

5. INCOME TAX

(a) Income tax recognised in profit or loss

The prima facie income tax expense on the loss before income tax reconciles to the tax expense in the financial statements as follows:

	Year Ended 30/06/18 \$	Year Ended 30/06/17 \$
Loss from continuing operations	(683,544)	(6,847,987)
Income tax income calculated at 30%	(205,063)	(2,054,396)
Share based payments	31,382	4,461
Change in fair value of equity options	(14,517)	(710)
Other	134	175
Tax losses previously recognised now not recognised	(139,266)	1,689,677
Current year tax losses not recognised	476,493	421,653
Tax expense	149,163	60,860

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30/06/18 \$	30/06/17 \$
Trade and other receivables	(23)	(129)
Exploration and evaluation expenditure	(1,518,384)	(1,307,467)
Capital raising costs	188,755	107,795
Trade and other payables	27,487	39,155
Employee benefits	5,017	2,764
Other liabilities	33,450	33,450
	(1,263,698)	(1,124,432)
Tax value of losses carried forward	1,263,698	1,124,432
Net deferred tax assets / (liabilities)	-	-

(c) Unrecognised deferred tax assets:

A deferred tax asset has not been recognised in respect of the following item:

	30/06/18 \$	30/06/17 \$
Tax losses-revenue	9,142,977	9,227,403

A deferred tax asset has not been recognised in respect of the above tax losses because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefit.

(d) Movement in recognised temporary differences and tax losses

	30/06/18	30/06/17
	\$	\$
Opening balance	-	-
Recognised in equity	149,163	60,860
Recognised in income	(149,163)	(60,860)
Closing balance	-	-

Tax consolidation**Relevance of tax consolidation to the consolidated entity**

The Company and its wholly-owned Australian resident entities are in a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Andromeda Metals Limited.

Nature of tax funding arrangement

Entities within the tax-consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement, Andromeda Metals Limited and its wholly owned Australian resident entities have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the-consolidated group.

6. CURRENT TRADE AND OTHER RECEIVABLES

	30/06/18	30/06/17
	\$	\$
Interest receivable	76	431
Other receivables	33,034	36,481
	33,110	36,912

7. OTHER NON-CURRENT FINANCIAL ASSETS

At amortised cost:

Bank deposits (Note 21 (e))	92,500	92,500
Environmental bonds	15,500	31,047
	108,000	123,547

8. EXPLORATION AND EVALUATION EXPENDITURE

	30/06/18 \$	30/06/17 \$
Costs brought forward	4,358,222	9,978,588
Expenditure incurred during the year	1,071,032	702,281
	5,429,254	10,680,869
Expenditure impaired	-	(6,069,107)
Expenditure written off	(87,975)	(253,540)
	5,341,279	4,358,222

Exploration impaired relates to exploration and evaluation expenditure associated with projects where the Group is not currently planning to carry out any further work.

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been surrendered.

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.

9. PLANT AND EQUIPMENT

	30/06/18 \$	30/06/17 \$
<u>Gross carrying amount</u>		
Balance at beginning of financial year	387,231	423,947
Additions	6,154	3,057
Disposals and write offs	(66,511)	(39,773)
Balance at end of financial year	326,874	387,231
<u>Accumulated depreciation</u>		
Balance at beginning of financial year	(382,971)	(399,027)
Depreciation for year	(2,664)	(21,184)
Disposals and write offs	66,511	37,240
Balance at end of financial year	(319,124)	(382,971)
Net book value at beginning of financial year	4,260	24,920
Net book value at end of financial year	7,750	4,260

10. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables and accruals	193,943	195,705
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11. CURRENT LIABILITIES – OTHER

Movement in equity options

Balance at the beginning of the year	66,313	-
Value on issue	-	68,681
Change in fair value	(17,132)	(2,368)
Options exercised	(10,798)	-
Options lapsed	(38,383)	-
Closing value	-	66,313

The equity option relates to the piggy back option as disclosed in Note 14 and Note 22.

	30/06/18 \$	30/06/17 \$
12. NON-CURRENT LIABILITIES - PROVISIONS		
Employee benefits	16,724	9,214
13. NON-CURRENT LIABILITIES – OTHER		
Deferred income (government grant)	975,517	888,152
14. ISSUED CAPITAL		
896,028,227 fully paid ordinary shares (2017: 453,104,875)	40,148,298	38,178,264
Treasury stock	(122,920)	(122,920)
	40,025,378	38,055,344

Movement in issued shares for the year:

	Number	Year Ended 30/06/18 \$	Number	Year Ended 30/06/17 \$
<u>Fully paid ordinary shares</u>				
Balance at beginning of financial year	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	5,799,802	69,597	24,417	1,221
Transfer from other liabilities on exercise of listed options	-	6,123	-	-
Exercise of unlisted options	2,000,460	30,007	-	-
Rights issue at 0.8 cents less the value of equity options (see Note 11)	-	-	47,337,812	310,022
Costs associated with the issue of shares	-	(497,208)	-	(202,866)
Related income tax	-	149,163	-	60,860
Balance at end of financial year	896,028,227	40,148,298	453,104,875	38,178,264
<u>Treasury stock</u>				
Balance at beginning of financial year	(9,940,000)	(122,920)	(9,940,000)	(122,920)
Share issue under Loan Funded Employee Share Plan at 1.0 cent	-	-	-	-
Share issue under Loan Funded Employee Share Plan at 1.8 cents	-	-	-	-
Balance at end of financial year	(9,940,000)	(122,920)	(9,940,000)	(122,920)
Total issued capital	886,088,227	40,025,378	443,164,875	38,055,344

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid shares carry one vote per share and carry the right to dividends.

On 23 May 2017 the Company issued 47,337,812 ordinary shares after undertaking a non-renounceable rights issue of one new shares for every two shares held at an issue price of \$0.008 cents per share. The Company also issued one free attaching option for every two new shares purchased with an exercise price of \$0.012 cents and an expiry date of 31 March 2018. Each new option upon exercise will receive one new piggy back option having an exercise price of \$0.015 cents and an expiry date of 31 March 2019. The Company issued 23,668,938 options. The rights raised \$378,703 before costs and expenses.

As the new option resulted in a piggy back option being granted on exercise, AASB 132 "Financial Instruments: Presentation" requires the option to be treated as a financial liability instead of equity as at 30 June 2017. Therefore, the Company recognised the option as a financial liability at fair value through profit and loss. See Note 11 and Note 22.

Share Options on Issue

During the year 487,603,286 listed share options were issued having an exercise price of 1.2 cents and expiry date of 30 November 2020. 1,322,835 of these listed options were exercised during the year leaving 486,280,451 on issue at 30 June 2018.

During the year 4,476,967 unlisted share options were issued having an exercise price of 1.5 cents and expiry date of 31 March 2019. 2,000,460 of these unlisted options were exercised during the year leaving 2,476,507 on issue at 30 June 2018.

At the 30 June 2017 there were 23,668,938 listed share options on issue with an exercise price of 1.2 cents and expiry date of 31 March 2018. 4,476,967 of these listed options were exercised during the year and the remaining 19,191,971 listed options lapsed on 31 March 2018.

15. RESERVES

	30/06/18	30/06/17
	\$	\$
Share option reserve	378,206	-
Employee equity-settled benefits reserve	54,173	36,433
	432,379	36,433

The employee equity-settled benefits reserve arises on the granting of shares to employees, consultants and executives under the Loan Funded Employee Share Plan (LFESP). Amounts are transferred out of the reserve and into issued capital when the shares under the LFESP are exercised. Further information about share based payments made under the plan is shown in Note 16 to the financial statements.

16. LOAN FUNDED EMPLOYEE SHARE PLAN

The Loan Funded Employee Share Plan (LFESP) is an ownership-based compensation plan for executives, employees and consultants.

At the Annual General Meeting held on 30 November 2015 the shareholders approved the Company's LFESP. Fully paid ordinary shares will be held by the trustee of the LFESP and transferred to executives, employees and consultants of the Company on achieving certain Company and personal KPIs and the payment of the share issue price, as long as the holder remains employed by the Company. An interest-free loan will be provided by the Company to each staff member to acquire the shares that are held by the trustee under the terms of the LFESP.

At the Annual General Meeting held on the 30 November 2015, the shareholder's approved the granting of 4,500,000 shares to the former Managing Director and 2,500,000 shares to the Executive Director under the LFESP and held by the trustee of the Plan at an issue price of \$0.01 per share along with associated loans of the same value. The shares will transfer to the individual executive on the achievement of a number of KPIs set by the Board of Directors for the 2016 calendar year.

On 30 June 2016, directors approved the issue of 2,940,000 shares to key staff members under the LFESP and held by the trustee of the Plan at an issue price of \$0.018 per share along with associated loans of the same value. The shares will transfer to the individual staff member on the achievement of a number of KPIs set by the Board of Directors for the 2016 calendar year.

At the Annual General Meeting held on the 30 November 2016, the shareholder's approved the granting of 2,300,000 shares to the former Managing Director and 1,300,000 shares to the Executive Director under the LFESP and held by the trustee of the Plan at an issue price of \$0.01 per share along with associated loans of the same value. The shares will transfer to the individual executive on the achievement of a number of KPIs set by the Board of Directors for the 2017 calendar year.

At the Annual General Meeting held on the 30 November 2017, the shareholder's approved the granting of 1,800,000 shares to the former Managing Director and 1,800,000 shares to the Executive Director under the LFESP and held by the trustee of the Plan at an issue price of \$0.006 per share along with associated loans of the same value. The shares will transfer to the individual executive on the achievement of a number of KPIs set by the Board of Directors for the 2018 calendar year.

The following LFESP shares were in existence during the financial year

Rights - Series	Number	Grant Date	Vesting Date	Fair value at grant date
Series 1	7,000,000	30/11/2015	As described above	\$0.005
Series 2	2,940,000	30/06/2016	As described above	\$0.003
Series 3	3,600,000	30/11/2016	As described above	\$0.007
Series 4	3,600,000	30/11/2017	As described above	\$0.004

Fair value of shares granted under the Loan Fund Employee Share Plan during the year

The weighted average fair value of the shares granted under the LFESP during the financial year is \$0.004 (2017: \$0.007).

LFESP shares granted during the current year were fair valued using a Black-Scholes pricing model and key inputs are set out below.

Inputs into the 2017 LFESP shares pricing model:

	Series 4
Grant date share price	\$0.007
Exercise price	\$0.006
Expected volatility	137.8%
Vesting date if performance conditions met	31 December 2018
Expiry date	31 December 2022

Movement in shares granted under the Loan Funded Employee Share Plan during the year

As at 30 June 2018 the number of shares granted to executives and employees is 7,082,500 (2017: 7,294,500) and the amount held by the trustee of the LFESP is 2,857,500 (2017: 2,645,500) that are available to be issued to executives and employees.

The following reconciles the shares granted under the Plan at the beginning and end of the financial year:

Loan Funded Employee Share Plan

	30/06/18		30/06/17	
	Number of LFESP shares	Weighted average exercise price \$	Number of LFESP shares	Weighted average exercise price \$
Balance at beginning of financial year	7,294,500	0.011	9,940,000	0.012
Granted during the financial year	3,600,000	0.006	3,600,000	0.010
Exercised during the financial year	-	-	-	-
Forfeited during the financial year	(1,808,000)	0.010	(5,465,500)	0.012
Cancelled during the financial year	(2,004,000)	0.009	(780,000)	0.018
Balance at end of the financial year	7,082,500	0.009	7,294,500	0.011
Exercisable at end of year	5,282,500	0.010	3,694,500	0.012

The shares granted under the LFESP that are exercisable at year end had an exercise price of \$0.010 (2017: \$0.012) and a weighted average remaining contractual life of 1,091 days (2017: 1,323).

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of Andromeda Metals Limited during the year were:

- R G J Grivas (Non-Executive Chairman) – appointed 27 October 2017
- J E Marsh (Managing Director) – appointed 30 May 2018
- N J Harding (Executive Director and Company Secretary)
- A N Shearer (Non-Executive Director) – appointed 27 October 2017
- C G Jackson (Non-Executive Chairman) – resigned 27 October 2017
- C G Drown (Managing Director) – resigned 26 April 2018
- J P Buckley (Non-Executive Director) – resigned 27 October 2017

The aggregate compensation of Key Management Personnel of the Group is set out below:

	Year Ended 30/06/18 \$	Year Ended 30/06/17 \$
Short-term employee benefits	481,948	533,400
Post employment benefits	9,936	15,371
Termination payments	-	-
Share-based payments (i)	91,894	12,918
	583,778	561,689

- (i) Share based payments do not represent cash payments to key management personnel and the related shares may or may not ultimately vest. The amounts include a negative adjustment for performance rights granted in prior years that forfeited during the year due to not meeting the performance conditions (C G Drown \$10,876 and N J Harding \$3,764) (2017: C G Drown \$10,387, N J Harding \$5,771 and M A Manly \$3,408).

18. REMUNERATION OF AUDITORS

	30/06/18 \$	30/06/17 \$
Audit or Review of the Company's financial report	59,000	41,000
Tax return preparation and advice	10,950	7,500
	69,950	48,500

The auditor of Andromeda Metals Limited is Deloitte Touche Tohmatsu.

19. RELATED PARTY DISCLOSURES

a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 25 to the financial statements.

Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 20 to the financial statements.

b) Key Management Personnel compensation

Details of key management personnel compensation are disclosed in Note 17.

c) Transactions with Key Management Personnel

Other than as disclosed in Note 16 and Note 21(d), there were no transactions with key management personnel or their personally related entities during the year ended 30 June 2018 (2017: Nil).

20. JOINTLY CONTROLLED ASSETS

The Group had interests in unincorporated joint arrangements at 30 June 2018 as follows:

	Percentage Interest 2018	Percentage Interest 2017
Moonta Porphyry Joint Venture (note i) – Copper/Gold Exploration	90%	90%
Thurlga Joint Venture (note ii) – Copper/Gold Exploration	25%	25%
Rover Joint Venture (note iii) – Copper/Gold Exploration	100%	100%
Wudinna Gold Joint Venture (note iv) – Gold Exploration	100%	100%
Poochera Joint Venture (note v) – Halloysite-Kaolin Evaluation and Development	0%	0%

- (i) The Group has an option to purchase the remaining 10% at any time for a consideration of \$200,000 cash or the equivalent of \$200,000 in Andromeda Metals Limited shares.
- (ii) Under the terms of the Joint Venture Agreement, Investigator Resources Limited (IVR) was required to spend \$750,000 by 30 June 2017 on exploration activities on the Group's Thurlga tenement located on the Eyre Peninsula to earn a 75% equity interest in the tenement. Thereafter each party may contribute to ongoing expenditure in respect to their joint venture holding or else elect to dilute. Should a party's equity fall to 5%, its share will be automatically acquired by the other party in exchange for a 1% Net Smelter Royalty. IVR had met its expenditure obligation by 30 June 2017 and had earned a 75% equity in the Thurlga Joint Venture. Subsequent to the year end, IVR has given notice that it wishes to withdraw from the Joint Venture and transfer its equity in the Thurlga tenement back to the Company (see Note 28).
- (iii) Under the terms of the Rover Farm-in and Joint Venture Agreement, Emmerson Resources Limited (ERM) was required to spend \$2,000,000 by 11 November 2019 on exploration activities to earn a 51% equity interest in the Group's Rover Project, located southwest of Tennant Creek in the Northern Territory. On 28 September 2017 ERM formally withdrew from the Joint Venture and a negotiated settlement amount of \$145,000 was paid to ADN to compensate for ERM's early withdrawal. No equity in the Rover Project was earned by ERM and the project remains 100% owned by the Company.
- (iv) Under the terms of the Wudinna Farm-in and Joint Venture Agreement, Lady Alice Mines Pty Ltd (LAM) is required to spend \$2,100,000 by 30 October 2020 on

exploration activities across tenements comprising the Company's Eyre Peninsula Gold Project to earn a 50% equity interest in the Project. LAM can then elect to sole fund a further \$1,650,000 over a further two years to increase its equity to 65% and then an additional \$1,250,000 over a further year to move to 75% equity interest in the project. Thereafter each party may contribute to ongoing expenditure in respect to their joint venture holding or else elect to dilute. Should a party's equity fall below 5%, its equity will be compulsory acquired by the other party at a price to be negotiated in good faith or as determined by an independent valuer. LAM is required to spend \$100,000 before it has a right to withdraw from the Joint Venture.

- (v) Under the terms of the Poochera Joint Venture Agreement, the Company can acquire a 51% equity interest in the tenements located on the Eyre Peninsula currently held by Minotaur Exploration Limited (MEP) that contain high-quality halloysite-kaolin deposits on spending \$3,000,000 by 24 April 2020 on advancing the project through exploration and evaluation activities and feasibility studies. \$400,000 is required to be spent by the Company before it has the right to withdraw. ADN can elect to sole fund a further \$3,000,000 over a further three years to acquire an additional 24% equity in the Project. The Company's interest will immediately convert to 75% ownership prior to the completion of the second stage contribution if a decision to mine is determined by both parties to the agreement. Thereafter each party may contribute to ongoing expenditure in respect to their joint venture holding or else elect to dilute. If any party dilutes to less than 5% equity interest, then its interest will be acquired by the other party for a modest sum and convert to a 2% net smelter royalty.

The amount included in mining tenements, exploration and evaluation (Note 8) includes \$2,574,999 (2017: \$44,379) relating to the above joint arrangements.

21. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Exploration Expenditure Commitments

The Group has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Company.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	2018 \$	2017 \$
Not later than one year:	1,481,000	1,057,093
Later than one year but not later than two years:	1,789,000	1,441,023
Later than two years but not later than five years:	6,437,000	4,533,338

(b) Rover Project – Northern Territory

Under an agreement entered into with Newmont Gold Exploration Pty Ltd ("Newmont") on 28 February 2005, Adelaide Exploration Limited acquired a 100% interest in the Rover Project (Exploration Licences 27292 and 27372) located near Tennant Creek, Northern Territory, on the following terms.

- A minimum of \$400,000 to be spent on exploration activities within 18 months of approval being received from the Central Land Council. This obligation had been met by December 2005.
- A net smelter return royalty to Newmont ranging from 1.5% to 2.5% after production, and
- The grant of a once only option to Newmont to buy back a 70% interest should a resource of

more than 2 million gold ounces be discovered, by paying Adelaide Exploration Limited the lesser of \$A20 million or three times the expenditure by Adelaide Exploration Limited from the date of execution of the agreement.

- Under an agreement entered into with Adelaide Exploration Limited, Andromeda Metals Limited and Franco-Nevada Australia Pty Ltd ("Franco") dated 11 February 2009; Newmont assigned its interest in the royalty buy back to Franco.

(c) Newcrest Mining Royalty Deed

By a Royalty Deed dated 13 February 2002 the Group is obliged to pay to Newcrest Mining Limited a royalty of 1.5% of the gross proceeds received from the sale of refined minerals, less allowable deductions, mined from certain tenements on the Eyre Peninsula, South Australia.

(d) Service Agreements

The Group entered into service agreements with entities associated with C G Drown and N J Harding for a term of six months to 30 June 2016. Both service agreements have since continued under the same terms until 30 June 2018. C G Drown resigned from the Company on 26 April 2018.

Details of the current services and consultancy agreements are set out below:

2018

Kay Management Personnel	Terms
C G Drown	Daily rate of \$860
N J Harding	Daily rate of \$765

2017

Kay Management Personnel	Terms
C G Drown	Daily rate of \$860
N J Harding	Daily rate of \$765

From 1 February 2017 to 30 September 2017, 30% of the above daily rates were deferred and recorded as an accrual which was settled on 31 October 2017.

The Company or the entity associated with N J Harding may terminate the agreement by giving two months notice respectively. The Group has a contingent liability of \$30,600 (2017: \$47,800) in relation to this agreement, where the employee is not required to work out the notice period.

The Group entered into a consultancy agreement with R G J Grivas on 27 October 2017 to provide consulting services on an as needs basis at the rate of \$900 per day. A total of \$7,200 was paid under this agreement during the year.

The Group entered into a consultancy agreement with J P Buckley on 7 April 2014 to provide consulting services on an as needs basis at the rate of \$2,000 per day. There were no payments made under this agreement during the year (2017: \$nil).

(e) Bank Guarantees

The Group has provided restricted cash deposits of \$92,500 as security for the following unconditional irrevocable bank guarantees:

- A performance bond of \$50,000 (2017: \$50,000) to the Central Land Council, Northern Territory,
- An environment bond of \$10,000 (2017: \$10,000) to the Minister for Mineral Resources Department, South Australia,
- A rent guarantee of \$32,500 (2017: \$32,500) to the landlord of the Company's leased office premises.

(f) Operating Lease

Operating lease relates to the lease of office space which expires on 31 August 2018 (2017: 31 January 2018) The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease commitments

	2018 \$	2017 \$
Not longer than 1 year	9,200	32,200
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	9,200	32,200

22. FINANCIAL INSTRUMENTS

Capital risk management

The Group aims to manage its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses.

Due to the nature of the Group's activities (exploration) the directors believe that the most advantageous way to fund activities is through equity and strategic joint venture arrangements. The Group's exploration activities are monitored to ensure that adequate funds are available.

Categories of financial instruments

	2018 \$	2017 \$
Financial assets		
Cash and cash equivalents	861,211	268,336
Trade and other receivables	33,110	36,912
Other financial assets	108,000	123,547
Financial liabilities		
Trade and other payables	193,943	195,705
Other liabilities	-	66,313

Interest rate risk management

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/decrease by \$2,824 (2017: increase/decrease by \$1,340). This is mainly attributable to interest rates on bank deposits.

The Group's sensitivity to interest rates has increased due to the increase in the current holding in cash compared to the prior year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than one year \$
2018 Non-interest bearing	-	193,943
2017 Non-interest bearing	-	262,018

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The following table gives information about how the fair values of equity options are determined (in particular the valuation technique(s) and inputs used).

Financial assets / Financial liabilities	Fair value as at 30/06/18 \$	Fair value at 30/06/17 \$	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Other financial liability – equity options	-	66,313	Level 3	Black Scholes pricing model. The option call price was estimated based on the market observable share price, historical share price volatility and prevailing interest rates	The share price volatility used in the valuation was estimated based on the average volatility of a peer group of companies	A higher stock price volatility would result in a higher fair value, and vice versa

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements:

	Held at Maturity – Options for Company Equities \$	
Opening balance	66,313	-
Issued during the year	-	66,681
Change in fair value taken to profit or loss	(17,132)	(2,368)
Options exercised	(10,798)	-
- Options lapsed	(38,383)	-
Closing balance	-	66,313

23. 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.

24. EARNINGS PER SHARE

Basic earnings per share – Profit / (loss)
Diluted earnings per share – Profit / (loss)

Year Ended 30/06/18 Cents per share	Year Ended 30/06/17 Cents per share
(0.12)	(1.74)
(0.12)	(1.74)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	\$	\$
- Earnings	(832,707)	(6,908,847)
	Number	Number
- Weighted average number of ordinary shares	701,701,705	398,075,666

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	\$	\$
- Earnings	(832,707)	(6,908,847)
	Number	Number
- Weighted average number of ordinary shares	701,701,705	398,075,666
	Year Ended 30/06/18 Number	Year Ended 30/06/17 Number

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted profit / (loss) per share:

- Listed share options	486,280,451	23,668,938
- Unlisted share options	2,476,507	-
- LFESP shares	9,940,000	9,940,000
	498,696,958	33,608,938

25. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest	
		2018 %	2017 %
Parent Entity			
Andromeda Metals Limited (i)	Australia	100%	100%
Subsidiaries			
Adelaide Exploration Pty Ltd (ii)	Australia	100%	100%
Peninsula Resources Pty Ltd (ii)	Australia	100%	100%
ADN LFESP Pty Ltd (ii) (iii)	Australia	100%	100%
Mylo Gold Pty Ltd (ii)	Australia	100%	0%
Frontier Exploration Pty Ltd (ii)	Australia	100%	0%

(i) Head entity in tax consolidated group

(ii) Members of tax consolidated group

(ii) The Company acts as the trustee to the Loan Funded Employee Share Plan.

On 9 August 2018 a new wholly owned subsidiary company named Andromeda Industrial Minerals Pty Ltd was incorporated.

26. PARENT ENTITY DISCLOSURES

	30/06/18 \$	30/06/17 \$
Financial Position		
<u>Assets</u>		
Current assets	894,271	304,966
Non-current assets	4,077,481	3,598,161
Total assets	4,971,752	3,903,127
<u>Liabilities</u>		
Current liabilities	193,945	262,020
Non-current liabilities	16,724	9,214
Total liabilities	210,669	271,234
<u>Equity</u>		
Issued capital	40,025,378	38,055,344
Reserves	432,379	36,433
Accumulated losses	(35,696,674)	(34,459,884)
Total equity	4,761,083	3,631,893
	Year Ended 30/06/18 \$	Year Ended 30/06/17 \$
Financial Performance		
Profit / (loss) for the year	(1,236,790)	(6,908,847)
Other comprehensive income	-	-
Total comprehensive income	(1,236,790)	(6,908,847)

Commitment for expenditure and contingent liabilities if the parent entity

Note 21 to the financial statements disclose the Group's commitments for expenditure and contingent liabilities. Of the items disclosed in that note the following relate to the parent entity:

- service agreements
- bank guarantees
- operating leases

27. ACQUISITION OF TENEMENTS

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.

28. SUBSEQUENT EVENTS

On 7 August 2018 the Company issued a total of 183,333,333 ordinary shares under a share placement at an issue price of 0.6 cents per share to professional and sophisticated investors raising \$1,100,000 before costs to be used primarily to advance the Company's Poochera Halloysite-Kaolin Joint Venture Project in South Australia.

On 31 August 2018 a binding Earn-in and Exploration Joint Venture Agreement was executed with Evolution Mining Limited over the Company's Drummond Gold Project in north Queensland which will see Evolution spend up to \$6.5 million over four years to earn up to 80% equity in the Project.

On 19 September 2018 Investigator Resources Limited provided the Company with 30 days notice of its decision to withdraw from the Thurlga Joint Venture as manager and return the Thurlga tenement to the Company.

Other than the above, there were no other matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' Declaration

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial statements;
- (c) 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 Company and consolidated entity; and
- (d) The directors have been given the declaration required by Section 295A of the Corporation Act 2001.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the directors



James E Marsh
Managing Director



Andrew N Shearer
Non-Executive Director

Adelaide, South Australia
28th September 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Andromeda Metals Limited (the "Entity"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of their financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter and why it was considered to be a matter of most significance in the audit

How the key audit matter was addressed in the audit

Exploration and evaluation assets

As at 30 June 2018, the Group has capitalised \$5.34 million of exploration and evaluation expenditure as disclosed in Note 8.

Significant judgement is applied in determining the treatment of exploration and evaluation expenditure including:

- Whether the conditions for capitalisation are satisfied;
- Which elements of exploration and evaluation expenditures qualify for recognition; and
- Whether the facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.

Our procedures included, but were not limited to:

- Obtaining a schedule of the areas of interest held by the consolidated entity and assessing whether the rights to tenure of those areas of interest remained current at balance date;
- Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest;
- Assessing whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; and
- Assessing whether any facts or circumstances existed to suggest impairment testing was required.

We also assessed the appropriateness of the disclosures included in Note 8 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

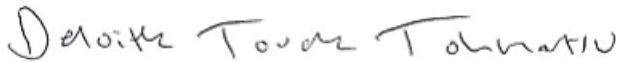
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the Director's Report for the year ended 30 June 2018.

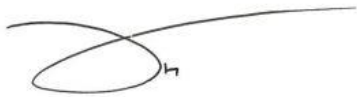
In our opinion, the Remuneration Report of Andromeda Metals Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of Andromeda Metals Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



Darren Hall
Partner
Chartered Accountants
Adelaide, 28 September 2018