

Andromeda Metals Limited
 ABN: 75 061 503 375

Quarterly Report

Period ending 30 June 2017

Corporate Details

ASX Code:
 ADN (ordinary shares)
 ADNOA (listed options)

Cash at 30 June 2017:
 \$0.268 million.

Issued Capital
 at 30 June 2017:
 453,104,875 ordinary shares
 23,668,938 listed options

Directors

Colin G Jackson
 Non-executive Chairman

Chris Drown
 Managing Director

Nick Harding
 Executive Director and
 Company Secretary

Jonathan Buckley
 Non-executive Director

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Overview

Eyre Peninsula gold (100% interest)

- Metallurgical testwork on Baggy Green mineralisation achieves exceptional gold recoveries of up to 99.3% using a gravity and cyanide leach flowsheet, mirroring results achieved using an identical flowsheet at Barns and confirming both deposits can be efficiently treated using a conventional flowsheet in a single processing plant.

Thurlga Joint Venture (25% interest)

- A potentially significant graphite discovery has been made with holes at the Ironstone prospect encountering intersections of up to 30 metres at 10% total graphitic carbon. The graphitic units are wide and shallow, and geophysical data indicates they may persist for 25km along strike, indicating very substantial resource potential.

Moonta copper (100% interest)

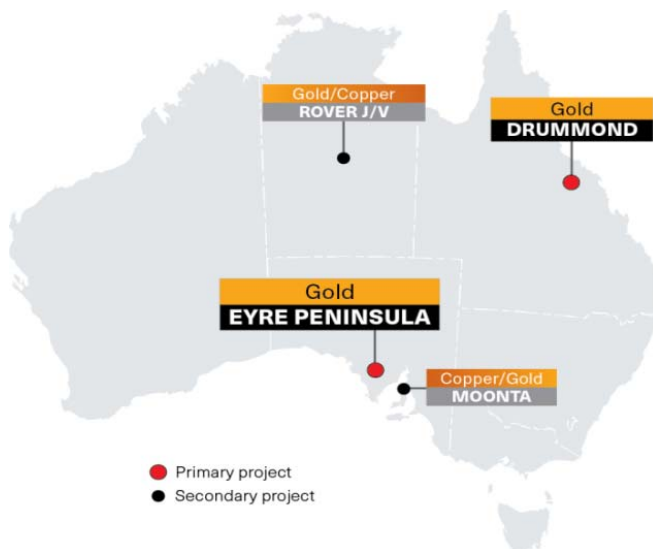
- The Wombat and Bruce deposits have attributes that may allow copper production using innovative hydrometallurgical in-situ recovery methods, with first-pass leach tests confirming copper solubility of up to 65% on individual samples.
- Estimated combined Exploration Target for Wombat and Bruce of 80 to 120 million tonnes at a grade of 0.18% to 0.23% copper (145,000 to 275,000 tonnes of copper). 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.
- Significant cobalt confirmed. At Willamulka results include 5 metres at 0.32% cobalt, and 6 metres at 0.19% cobalt. Alford West results include 9 metres at 0.13% cobalt.

Rover Joint Venture (100% interest, diluting to 49%)

- 3-D Induced Polarisation geophysical trials planned at Rover prospects. The trials will be partially funded through the NT governments' CORE scheme.

Finance

- The Company's available cash position stood at \$0.268 million at 30 June 2017.
- A 1-for-2 non-renounceable Rights Issue received applications totalling \$378,703. The Offer shortfall shares may be issued on the same terms as the Offer by 16 August 2017.
- The Company distributed tax credits to shareholders through participation in the Exploration and Development Incentive Scheme (EDI) for the 2015-16 financial year.




Chris Drown
 Managing Director
 28 July 2017

Managing Director's review

During the quarter, Andromeda Metals ticked another box on the path to development of the Wudinna Gold Camp, with metallurgical testing of mineralisation from the Baggy Green deposit achieving gold recoveries of up to 99.3%.

The Baggy Green results even exceed the plus-97% gold recoveries reported for the nearby Barns deposit, and confirm that ores from both Baggy Green and Barns should be amenable to efficient treatment in a single centralised plant.

At Moonta we are investigating an innovative hydrometallurgical production concept. The Bruce Zone at Alford West and the Wombat deposit display mineralogical and hydrological characteristics that suggest they may be amenable to in-situ recovery (ISR) of copper.

An impressive combined Exploration Target for Wombat and Bruce has been estimated, and first-pass copper solubility testing was undertaken with promising results. Discussions with two third parties with the technical expertise to advance the ISR concept at Moonta are currently underway.

Cobalt, graphite and lithium (the so called "battery metals") continue to attract market and investor attention.

After quarter end, the Company, in joint venture with Investigator Resources Limited, announced high grade graphite drill intersections that signify the discovery of a promising new graphite belt at Thurlga. At Moonta, a review of historical drill data confirms that cobalt mineralisation of attractive grade occurs in conjunction with copper and gold at a number of the project deposits.

Progressing Andromeda Metal's portfolio of assets to create value for shareholders is constrained by the Company's funding position. A Shareholder Offer during the quarter received welcome support, however efforts to place the Offer Shortfall securities have been frustrated by a continuing low share price. The Board and management remain confident in the quality of Andromeda Metals' mineral assets, and resolute in their efforts to secure further funding, and thereby the Company's future.

Eyre Peninsula gold

Andromeda Metals' Eyre Peninsula gold project comprises seven tenements securing an area of 2,385 km² in the Gawler Craton.

The Company's focus on the Eyre Peninsula is progressing the 100% owned Barns, Baggy Green and White Tank deposits ("Wudinna Gold Camp") into production.

A Mineral Resource for the Barns deposit was estimated in 2016 and last quarter Mineral Resource estimates for the nearby Baggy Green and White Tank deposits were completed.

The consolidated Mineral Resource estimate for the Barns, Baggy Green and White Tank deposits is 3.849 million tonnes at 1.62g/t gold for 200,300 ounces, using a 0.5g/t cut-off grade.

Last quarter the Company also reported that metallurgical testwork on Barns mineralisation had achieved excellent gold recoveries.

Work this quarter has extended the metallurgical testwork to Baggy Green.

Baggy Green metallurgical testwork results

Together Barns (107,000 ounces) and Baggy Green (82,400 ounces) comprise 95% of the total Wudinna Gold Camp Mineral Resource of 200,300 ounces.

The Barns metallurgy completed last quarter confirmed gold recoveries exceeding 97% could be achieved with a combination of gravity concentration and cyanide leaching of the gravity concentrate and tailings. The Baggy Green testwork was conducted using an identical flowsheet to that indicated for Barns.

Four composite samples from Baggy Green, one of supergene and three of primary mineralisation, were tested by Bureau Veritas Minerals Pty Ltd metallurgical laboratories, the same laboratory that tested the Barns samples during the earlier study.

The Baggy Green gravity plus cyanide leach gold recoveries totaled 94.3% for the supergene sample, and ranged between 97.5% and 99.3%, averaging 98.7%, for the primary zone samples. These outstanding gold recoveries are achieved using low lime and modest cyanide additions.

The results confirm that a conventional gravity and cyanide leach flowsheet can efficiently deliver exceptional gold recoveries for ores from both Barns and Baggy Green.

The next logical metallurgical test work to be conducted on the Wudinna Gold Camp deposits would involve coarsening the grind size to establish the optimum economic grind-recovery combination.

The metallurgical results will also form important inputs into future studies investigating project economics.

Thurlga Joint Venture

The Thurlga Joint Venture over EL 5149 on the northern Eyre Peninsula is managed and operated by Investigator Resources Limited.

Results from a 20-hole aircore drilling program confirmed a potentially significant graphite discovery.

Intersections in holes drilled at the Ironstone prospect included 30 metres at 10.0% TGC (total graphitic carbon) and 10 metres at 8.3% TGC. These grades are comparable to those of domestic and international graphite resources. The coarse drilling indicates the graphitic formations are up to 500 metres wide.

Graphite is an excellent electrical conductor detectable in electromagnetic surveys. An airborne RepTEM survey flown over the Thurlga tenement in 2010 reveals a series of linear conductive features that extend for 25km in aggregate strike length.

The RepTEM conductors are most likely sourced by the graphitic units, indicating that the resource potential is very substantial.

Anomalous silver and base metal intersections were also achieved, including 28 metres at 0.14% lead; and 21 metres at 0.16% zinc and 1.05g/t silver in holes at the Wide prospect. Ironstone South returned 3 metres at 4.77g/t silver; and 3 metres at 6.58g/t silver.

The terms of the Thurlga Joint Venture required Investigator to spend \$750,000 on exploration by 30 June 2017 to earn a 75% equity position. Investigator Resources has now met this obligation and consequently has earned 75% equity in the Thurlga Joint Venture.

Moonta copper-gold

In-situ recovery concept

In-situ recovery (ISR) is a production process whereby a leaching solution (or “lixiviant”), is injected into a sub-surface mineralised body via a borehole, leaches the target commodity as it passes through the deposit, and is returned to the surface via a second bore where the dissolved metal is extracted from solution by SXEW or ion exchange in a processing plant.

The costs of ISR are substantially below those of conventional mining, allowing economic production from much lower grade deposits.

The Wombat and Bruce deposits on the Moonta project have attributes that may allow copper production using in-situ recovery methods.

At both deposits copper mineralisation occurs in deep sub-vertical weathering troughs that extend hundreds of metres below the surface.

Using existing historical drilling and assay data, the Company has estimated a combined Exploration Target for the Wombat and Bruce deposits of 80 to 120 million tonnes at a grade of 0.18% to 0.23% copper (145,000 to 275,000 copper tonnes), comparable to the resource metrics of 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.

Weathered material in the troughs appears to be both porous and permeable, allowing lixiviant flow and copper phase contact, while the troughs are enclosed by fresh impermeable rock that form natural aquicludes.

Simple, preliminary leach tests on composite samples confirm copper solubility of up to 65%, and lixiviant studies to optimise copper into solution are warranted. Non copper-bearing minerals which might consume the leaching agent, such as carbonates, do not appear to be present in the mineralisation.

Both deposits are open along strike and interpretation of exploration data has identified excellent opportunities to discover additional nearby mineralisation.

Cobalt potential

A review of the drill hole assay results in the Moonta database has confirmed the presence of significant cobalt at a number of prospects, particularly at Willamulka and Alford West.

The Willamulka deposit includes a number of cobalt bearing lodes generally coincident with the copper mineralised zone. The cobalt lodes are steeply dipping, traceable for over 800 metres of strike and are open at depth and along strike. Drill intersections include 5 metres at 0.32% cobalt; and 6 metres at 0.19% cobalt.

At Alford West significant cobalt is present in the Larwood zone, often in association with high grade copper. Drill hits include 4 metres at 0.25% cobalt; and 9 metres at 0.13% cobalt.

Moonta project third party interest

The Company continues to pursue a third party deal for the Moonta copper project. Presently three parties are reviewing the project under confidentiality agreement. Two of these parties are focussing on the ISR potential, with both having expertise in that field, while a third party is evaluating the cobalt prospectivity.

Rover Joint Venture

The Rover Joint Venture is exploring for ironstone hosted copper-gold deposits on ground located 85km SW of Tennant Creek

Joint Venture manager, Emmerson Resources Limited, successfully applied for funding through the NT government's Creating Opportunities for Resource Exploration ("CORE") program to trial a 3D IP geophysical technique at Rover.

The survey aims to lower the exploration risk by providing information on the depth of the barren sediments that blanket the prospective basement, and testing the efficacy of 3D IP in pinpointing sulphide rich ironstones.

The survey will be undertaken in two stages, initially as a 'Proof of Concept' trial over the Rover 4 deposit, and if positive followed by surveys over an inferred, metal fertile corridor that hosts the Rover 12, Rover 14 and Rover 16 copper-gold mineralised ironstone prospects.

Finance and corporate

The Company had \$0.268 million in available cash at 30 June 2017.

During the quarter a 1-for-2 non-renounceable Rights Issue received valid application monies from shareholders totalling \$378,703. A total of 47,337,812 fully paid ordinary shares (New Shares) of the 202,883,532 shares provided under the Offer were allotted on 23 May 2017.

The shortfall in subscriptions of 155,545,720 shares (Shortfall Shares) may be issued on the same terms as the Offer by 16 August 2017, being 3 months from the Offer close date.

Under the terms of the Offer, for every 2 New Shares issued, subscribers also received 1 ASX listed Primary Option exercisable at \$0.012 and expiring on 31 March 2018. For every Primary Option exercised before the expiry date, a Secondary Option will be issued having an exercise price of \$0.015 and an expiry date of 31 March 2019.

The Company has successfully applied to participate in the Federal Government's Exploration and Development Incentive Scheme (EDI) for the 2015-16 financial year.

EDI credits totalling \$189,761 were distributed as a tax credit to shareholders for the 2016-17 tax year return. The benefit received by individual shareholders was pro-rated based on the number of shares held at the Record Date of 31 May 2017.

Competent Person Statement and 2012 JORC Compliance Notes

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

The information contained in the report relating to exploration completed prior to 1 Dec 2013 by the Company and other explorers was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information contained in the report relating to exploration completed since 1 Dec 2013 has previously been reported in accordance with the JORC Code 2012, see ADN's ASX releases dated 19 July 2016, 16 January 2017, 23 January 2017, 11 May 2017, 6 July 2017, 10 July 2017, and 20 July 2017, and IVR's ASX release dated 10 July 2017.