

Andromeda Metals Limited

ABN: 75 061 503 375

Corporate Details

ASX Code:

ADN (ordinary shares)

ADNOA (listed options)

Cash at 31 October 2017:

\$0.734 million.

Issued Capital

at 31 October 2017:

566,451,503 ordinary shares

23,612,610 listed options

56,238 unlisted options

Directors

Rhod Grivas

Non-executive Chairman

Chris Drown

Managing Director

Nick Harding

Executive Director and

Company Secretary

Andrew Shearer

Non-executive Director

Contact Details

 69 King William Road,
Unley, South Australia 5061

PO Box 1210

Unley BC SA 5061

Tel: +61 8 8271 0600

Fax: +61 8 8271 0033

admin@andromet.com.au

Quarterly Report

Period ending 30 September 2017

Overview

Pilbara Gold Project (right to acquire 100% interest)

- The Company has signed a binding term sheet that, subject to the completion of satisfactory due diligence, can lead to the acquisition of 100% equity in up to eleven gold prospective Exploration Licence Applications securing 756km² of ground in the Pilbara region of Western Australia.
- The Pilbara has attracted significant attention following the discovery by Novo Resources (TSX-V:NVO) of gold mineralisation hosted in conglomerates occurring near the base of the Fortescue Group.

Wudinna Gold Farm-in and Joint Venture (100% interest)

- Binding Heads of Agreement executed with Lady Alice Mines Pty Ltd ("LAM"), a private Australian minerals explorer, to form the Wudinna Gold Farm-In and Joint Venture over the Company's 100% owned tenements on the Eyre Peninsula of South Australia.
- LAM can earn up to 75% equity through a staged earn-in by sole funding up to \$5 million in expenditure over a maximum six year period. The Agreement will see a substantial increase in activity on the project and can significantly progress the Wudinna Gold Camp towards a decision to mine.

Rover Copper Gold Project (100% interest)

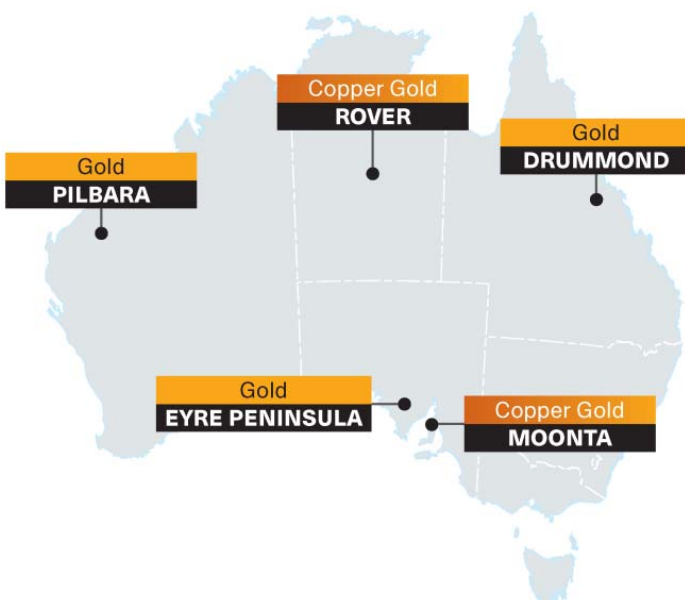
- Cash settlement of \$145,000 accepted from Emmerson Resources Limited (ASX: ERM) to allow its premature withdrawal from the Rover Joint Venture. The Company retains 100% equity in the Rover tenements, with a third party now reviewing project data.

Corporate

- A Board restructure occurred on 27 October 2017. Mr Rhod Grivas was appointed Chairman, replacing Mr Colin Jackson who relinquishes his directorship, while Mr Andrew Shearer joined as a Non-Executive Director replacing Mr Jonathan Buckley.

Finance

- The Company's available cash position stood at \$0.101 million at 30 September 2017.
- After Quarter end the Company completed a heavily oversubscribed share placement raising \$566,452 before costs. The placement is to be followed by a fully underwritten Rights Issue offered to Shareholders on the same pricing terms to raise a further \$1.416 million.
- The available cash position at the time of reporting was \$0.734 million.




Chris Drown
Managing Director
31 October 2017

Managing Director's review

With an available cash position of just \$268,000 on 30 June 2017, the clear focus throughout the September Quarter has been to secure the Company's finances and position Andromeda Metals for a brighter future. A series of ASX releases made after Quarter end reveal the results of these efforts.

On 27 October 2017, the Company announced that it had completed an over-subscribed share placement raising \$566,452, to be followed by an identically priced, fully underwritten Shareholder offer to raise an additional \$1.416 million. The total raise of \$1.98 million before costs will secure the Company's financial position and allow the recommencement of a material exploration program.

The same day it was also announced that a binding term sheet had been executed which, subject to the completion of satisfactory due diligence, can lead to the acquisition of a 756km² gold project comprised of eleven ELAs in the Pilbara region of Western Australia. The Pilbara has attracted significant attention following the discovery by Novo Resources of gold mineralisation hosted in conglomerate.

Furthermore, on 31 October 2017 the Company announced the execution of a binding Heads of Agreement with Lady Alice Mines Pty Ltd pursuant to the formation of the Wudinna Gold Farm-In and Joint Venture over the Company's 100% owned tenements on the Eyre Peninsula of South Australia. The deal will see Lady Alice Mines sole fund up to \$5 million through a staged earn-in, significantly progressing the Wudinna Gold Camp towards a decision to mine.

Lastly, Andromeda Metals' Board has been restructured. Mr Rhod Grivas has been appointed Chairman, replacing Mr Colin Jackson who relinquishes his directorship, while Mr Andrew Shearer has been appointed a Non-Executive Director replacing Mr Jonathan Buckley. Executive management thank Colin and Jonathan for their efforts during their time as Directors, and welcome Rhod and Andrew to a substantially rejuvenated Andromeda Metals.

Pilbara gold

The Pilbara region has attracted significant attention following the discovery by Novo Resources (TSX-V:NVO) of gold mineralisation hosted in conglomerate occurring near the base of the Fortescue Group, a sequence of Archaean volcanic and sedimentary rocks that out crop over extensive areas in the Pilbara.

Conglomerate is a sedimentary rock formed from rounded gravel and boulder sized clasts cemented together in a matrix. The rounding of the clasts indicates they have been transported some distance from their source.

This 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.

Mylo-Frontier Acquisition

After period end Andromeda Metals signed a binding term sheet that, subject to the satisfactory completion of due diligence investigations, would allow the Company to acquire 100% equity in a Pilbara gold project. The project covers 756 km² and comprises eleven Exploration Licence Applications (ELAs) pegged by Mylo Gold Pty Ltd and Frontier Exploration Pty Ltd, (together the "Mylo-Frontier Pilbara Gold Project").

Ten of the eleven ELAs are held by Mylo Gold Pty Ltd. The areas include geological units interpreted by government geologists to be Fortescue Group rocks, with some of the sequences described as having conglomerates in the stratigraphy. Other Mylo Gold ELA's are located near gold mineralised areas, including ground near the Paulson's gold deposit.

A single ELA held by Frontier Exploration Pty Ltd is adjacent to ground held by Novo Resources that includes a number of recorded gold occurrences in areas where the Mount Roe Basalt and overlying Hardey Formation are mapped. Explorers elsewhere in the Pilbara consider these units to be important host units in their search for conglomerate hosted gold deposits.

Principal Commercial Terms

Under the terms of the agreement, Andromeda has made a non-refundable payment of \$25,000 for the exclusive right to complete a one month due diligence investigation on the Mylo-Frontier Pilbara Gold Project.

Subject to satisfactory due diligence, the Company can then acquire 100% of Mylo Gold Pty Ltd and Frontier Exploration Pty Ltd for a consideration of \$50,000 in cash and up to 85,000,000 fully paid ordinary Andromeda shares issued at a deemed issue price of \$0.005 (0.5 cents) per share.

Eyre Peninsula Gold

The Eyre Peninsula Gold Project comprises six wholly owned tenements that secure 2,052km² of ground near the town of Wudinna.

The project includes the Wudinna Gold Camp, a cluster of close spaced gold prospects including the Barns, Baggy Green and White Tank deposits which have been the focus of the Company's recent exploration activities.

Mineral Resources estimated in accordance with the JORC Code 2012 have been announced for Barns, Baggy Green and White Tank ⁽¹⁾.

The consolidated Wudinna Gold Camp Mineral Resource totals 3.84 million tonnes at 1.62g/t gold for 200,300 ounces using a 0.5g/t gold cut-off grade, comprised of 0.38 million tonnes at 1.40g/t gold for 17,000 ounces of Indicated Resources and 3.469 million tonnes at 1.64g/t gold for 183,300 ounces of Inferred Resources.

Wudinna Gold Farm-In and Joint Venture

After period end Andromeda Metals Limited executed a binding Heads of Agreement with Lady Alice Mines Pty Ltd ("LAM") to form the Wudinna Gold Farm-in and Joint Venture over the Company's Eyre Peninsula Gold Project in South Australia.

Lady Alice Mines Pty Ltd is an Australian mineral exploration group owned by interests associated with geologist David Clarke and investment banker Bruce Parncutt AO.

Significance of the Wudinna Gold deal

The Company has progressed the Wudinna Gold Camp to a point where Mineral Resources have been estimated and positive metallurgical testwork undertaken, positioning the project for possible future mine development.

However, much costly work is still required before the Company can realise its goal of putting the project into profitable production. This work includes efforts to increase Mineral Resources, significant infill drilling to allow reclassification of Inferred Resources to Indicated Resources (following which Ore Reserves can be estimated), optimisation of metallurgical flowsheets, economic modelling, and mine design and permitting.

The Wudinna Gold Farm-In and Joint Venture puts in place the funding required to undertake many of these tasks and substantially advance the project towards a decision to mine.

Principal Commercial Terms

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

- LAM will sole fund \$2.1 million within three 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 two 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 procedure.
- LAM must expend \$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.

Rover Copper Gold

After period end a cash settlement of \$145,000 was accepted to allow Emmerson Resources Limited (“ERM”) to withdraw prematurely from the Rover Farm-In and Joint Venture. ERM earned no equity in the project and Andromeda Metals retains 100% ownership of the two Rover Exploration Licences.

During its involvement, ERM reviewed historical exploration, re-processed airborne magnetic data, and conducted a modest trial 3-D Induced Polarisation geophysical survey.

Significantly, ERM did no drilling at confirmed deposits like Rover 1 (historical ADN drill intersections include 55 metres at 3.36% copper and 0.12% cobalt, and 15 metres at 1.73% copper and 5.72g/t gold); Rover 4 (21 metres at 2.33% copper and 0.94g/t gold); nor any work at the promising early stage Rover 12 target (4 metres at 5.57g/t gold and 1.22% copper) ⁽²⁾.

The Company therefore holds the view that the limited work completed by ERM has not altered the perceived high prospectivity of the project, nor downgraded the established targets.

Andromeda Metals’ strategy remains to progress Rover through third party funding, with an interested party currently reviewing the project data under confidentiality agreement.

Finance

The Company had \$0.101 million in available cash at 30 September 2017.

After Quarter end the Company completed a heavily over-subscribed share placement, raising \$566,452 before costs, through the issue of 113,290,300 shares at a price of \$0.005 per share.

Subject to Shareholder approval, to be sought at the Company’s up-coming Annual General Meeting, the placement participants will also be issued one free option for each placement share

acquired, with the options having an exercise price of \$0.012 cents and a three year term.

To enable existing Andromeda Metals’ Shareholders to acquire additional securities on identical terms, the Company will invite eligible shareholders to subscribe for fully paid ordinary shares in the capital of the Company via a fully underwritten 1 for 2 non-renounceable rights issue at an issue price of \$0.005 per share to raise \$1,416,128 before costs.

For each offer share issued, a free attaching option will also be issued with the options having an exercise price of 1.2 cents and a term of three years from issue.

Full details of the offer, including the record date upon which Andromeda Metals shares must be held to qualify for participation in the offer, will be announced shortly.

The combined placement and rights issue will raise a total of \$1.98 million before costs, securing the Company’s financial position and allowing completion of material exploration programs.

Corporate

On 27 October 2017 Non-Executive Chairman Mr Colin G Jackson, and Non-Executive Director Mr Jonathan Buckley relinquished their directorships of the Company. Mr Rhoderick Grivas has been appointed as Non-Executive Chairman, and Mr Andrew Shearer appointed as a Non-Executive Director.

Rhod Grivas and Andrew Shearer, together with incumbent Executive Directors Chris Drown and Nick Harding, complete a Board team with strong technical credentials, broad corporate experience, extensive financial and broker networks, and a strong focus on shareholder wealth generation at a time of rejuvenation for Andromeda Metals.

Competent Person Statement and 2012 JORC Compliance Notes

1. 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 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, and 6 July 2017.

2. 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.