

Andromeda Metals Limited

ABN: 75 061 503 375

Quarterly Report

Period ending 31 December 2017

Corporate Details

ASX Code:

ADN (ordinary shares)

ADNOA (listed options)

ADNOB (listed options)

Cash at 31 December 2017:

\$1.687 million

Issued Capital

at 31 December 2017:

892,027,646 ordinary shares

21,369,257 ADNOA options

487,603,286 ADNOB options

799,681 unlisted options

Directors

Rhod Grivas

Non-executive Chairman

Chris Drown

Managing Director

Nick Harding

 Executive Director and
Company Secretary

Andrew Shearer

Non-executive Director

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Overview

Drummond Epithermal Gold Project (100% interest)

- Drill program commencing in February to test epithermal gold targets in the Drummond Basin in Queensland. The program of 2000 metres of reverse circulation drilling will see the first drill tests completed at the Bunyip target, a gold mineralised system of similar geological style to the deposits in the +3Moz Pajingo Field.

Pilbara Gold Project (100% interest)

- Formal acquisition of Mylo Gold Pty Ltd and Frontier Exploration Pty Ltd, the companies owning tenement applications in the gold prospective Pilbara region in Western Australia, was completed late December 2017. The three tenement applications are progressing through the grant process.

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

- Farm-in party Lady Alice Mines Pty Ltd is currently designing a program of work to progress the Barns and Baggy Green gold deposits.

Thurlga Joint Venture (ADN diluting to 20% interest)

- Andromeda Metals has elected not to contribute to the 2018 program and budget presented by joint venturer Investigator Resources. Consequently, Andromeda Metals' equity in the Thurlga JV is projected to fall to approximately 20% by end 2018.

New Project Evaluations

- The Company has commenced an initiative to proactively seek new projects, with assessment of a number of opportunities underway.

Finance and Corporate

- The Company's available cash position stood at \$1.687 million at 31 December 2017.
- During the Quarter Andromeda Metals completed a placement to sophisticated investors, a 1 for 2 non-renounceable Rights Issue, and the placement of all Rights Issue Shortfall securities. These programs raised a total of \$1.98 million before costs.

- Listed options issued in May 2017 (ASX code: ADNOA) expire on 31 March 2018. The ADNOA options have an exercise price of \$0.012 (1.2 cents). If exercised the holder is issued with a fully paid ordinary ADN share plus a secondary option with an exercise price of \$0.015 (1.5 cents) and a term expiring 31 March 2019.




Chris Drown
Managing Director
30 January 2018

Managing Director's review

The end of calendar year 2017 sees Andromeda Metals well positioned and able to focus on the task of growing shareholder wealth in 2018.

A capital raising program, comprising a heavily oversubscribed Share Placement in October, a strongly supported Rights Issue to Shareholders in November, and the subsequent placement of all Rights Issue Shortfall securities in December, raised a total of \$1.98 million before costs. These capital raise programs were completed with the support of PAC Partners, a leading independent equities provider, signalling the start of what we trust will develop into a strong relationship into the future.

In October 2017 changes to the Board of Directors were announced, with Mr Rhod Grivas appointed Chairman and Mr Andrew Shearer appointed as a Non-Executive Director. Since their appointment, incumbent executive director Nick Harding and I have both been impressed with Rhod and Andrew's energy, clarity of vision, and their focus on the task of increasing the value of Andromeda Metals.

As foreshadowed in the prospectus to the November 2017 Rights Issue, the Company has earmarked significant funds to identify, assess, and assist with the acquisition of one or more new projects. This initiative is now underway and Andromeda Metals is reviewing a number of opportunities. The Company will keep the market informed of any material acquisition that results.

The prices of a broad range of mineral commodities, including precious and base metals, iron ore and bulks, and battery materials, continue to show improvement leading to a resurgence of investor interest in resources stocks, including interest in junior exploration companies.

There has been a substantial increase in trade volumes of Andromeda Metals securities in the last three months, indicating that the broader market interest in junior resources stocks also extends to our Company. This gives us confidence that exploration success and wise corporate actions can catalyse share price revaluation.

Drummond epithermal gold

The Drummond Basin in North Queensland is well known for its endowment of gold deposits of epithermal style. These deposits include the high grade and profitable Pajingo mine which has produced over 3 million ounces of gold since mining began in 1986.

The Company owns four Exploration Permits for Minerals (EPMs) in the Drummond Basin which secure a total area of 523 km². Gold prospects confirmed to be of epithermal style occur on each of the Company's tenements.

Bunyip gold prospect

Andromeda Metals defined the high priority Bunyip target through a program of surface prospecting and mapping, rock chip sampling, and FPXRF soil pathfinder metal geochemistry.

Mapping and prospecting has defined a series of quartz veins that have a combined total strike length of approximately 2000 metres. The vein textures observed are typical of those seen in epithermal deposits, and include chalcedonic, bladed and colloform banded variants.

Mapping in the vicinity of the Bunyip veins also discovered occurrences of very high level epithermal elements including sinter beds, geyserite (silica formed around the vents of hot springs and geysers), and zones of clay-jarosite-gypsum alteration.

The rock chip samples returned anomalous gold, silver and epithermal pathfinder metals like arsenic, antimony and molybdenum. The highest grade sample assays 19.65g/t gold and 9.1g/t silver, confirming that the Bunyip system has potential to deliver a high grade gold discovery.

FPXRF soil geochemistry mapped strongly developed pathfinder metal anomalies, with arsenic and molybdenum spatially associated with the quartz veins.

The geological and geochemical features at Bunyip are 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. Bunyip is therefore regarded as a high quality drill target.

Bunyip Drill program

The Company plans to test the Bunyip target with a program of approximately 2000 metres of RC drilling likely to commence in February.

Traditional Aboriginal Owners completed a Heritage Clearance survey over the prospect in 2015 which identified no “no-go” sites, and drilling is scheduled to commence following establishment of rig access tracks and drill pads.

Drilling will aim to test the Bunyip veins at various depths below the surface, with two or three holes planned on each section. First analytical results are anticipated to become available in March-April 2018.

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.

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

On 27 October 2017 Andromeda Metals announced a deal that would allow the Company to acquire 100% equity in Mylo Gold Pty Ltd and Frontier Exploration Pty Ltd, two unlisted companies holding tenement applications in the Pilbara region.

On 27 November, following satisfactory due diligence investigations, the Company announced that it had agreed to acquire Mylo Gold and Frontier Exploration for consideration of \$75,000 in cash plus 30 million shares in Andromeda Metals. The acquisition was completed on 21 December 2017 and Mylo Gold and Frontier Exploration are now wholly owned subsidiaries of Andromeda Metals Limited.

Mylo Gold owns tenement applications E 08/2954 and E 08/2955, which secure intervals of a gold prospective unit called the Mount McGrath Formation that hosts gold mineralisation in the Ashburton region.

The Paulsens Gold Mine (production to 2014 was in excess of 700,000 ounces of gold at a grade of 7.6g/t gold) is located just 15km north of the northern boundary of E 08/2954, while the plus 1Moz Mt Olympus gold project, hosted in the same stratigraphic units which occur in E 08/2954 and E 08/2955, is situated to the southeast of the two tenements.

The Monster Lode – Gossan Ridge prospect is located only 2.5 kilometres along strike from E 08/2955. The prospect occurs in an ironstone-quartz breccia, with historical rock chips returning promising assays including results to 75.9g/t gold.

Frontier Exploration owns tenement application E 48/1196, which is adjacent to ground held by well known Western Australian prospecting identity, Mark Creasy.

The geology of the broader area includes an Archaean greenstone inlier draped by Mount Roe Basalt and overlying Hardey Formation, units considered to be the main “conglomerate gold” host units in the Pilbara.

In-situ gold occurrences, including prospects called Rooney’s Find and Kallona occur in the prospective units to the west of E 48/1196, while gold in nearby alluvial occurrences is likely also sourced in the same rocks. Metal detecting of these occurrences has reportedly found gold nuggets.

Andromeda Metals will progress the granting of the three tenements prior to commencing on-ground exploration.

Eyre Peninsula Gold

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

The project includes the Wudinna Gold Camp, a cluster of deposits and earlier stage prospects that include the Barns, Baggy Green and White Tank deposits. These deposits have Mineral Resources totalling 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

On 31 October 2017 the Company announced 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 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.

Stage 1 of the Farm-in requires LAM to sole fund \$2.1 million by 30 October 2020 to earn 50% equity in the project. After completion of Stage 1 LAM can elect to form a joint venture or else earn up to 75% equity by sole funding a further \$2.9 million in two additional stages.

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.

Lady Alice Mines is currently undertaking a thorough review of the extensive project database in advance of finalising the design of the 2018 exploration program.

Thurlga Joint Venture

The Thurlga Joint Venture with Investigator Resources Limited (IVR) is exploring a single tenement on the Eyre Peninsula.

In 2017, the Joint Venture discovered significant graphite in a drilling program on the tenement. Scanning Electron Microscope analysis of the mineralisation has confirmed the graphite is very fine grained (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 Board of Andromeda Metals elected not to contribute to the 2018 program and to dilute the Company’s equity in the Joint Venture. Consequently, if IVR sole-funds the proposed 2018 program, Andromeda Metals’ equity in the Thurlga Joint Venture will fall to approximately 20% by calendar year end.

Finance

The Company had \$1.687 million in available cash at 31 December 2017.

During the Quarter Andromeda Metals completed a placement to sophisticated investors, a 1 for 2 non-renounceable Rights Issue, and the placement of all Rights Issue Shortfall securities. These programs raised a total of \$1.98 million before costs.

Shares pursuant to the above raisings were issued at a price of \$0.005 per share, with each share having a free attaching listed option (ASX Code: ADNOB) with an exercise price of \$0.012 and a term expiring on 30 November 2020.

ADNOA Options

Listed options (ASX code: ADNOA) issued in May 2017, expire on 31 March 2018.

The ADNOA options have an exercise price of \$0.012. If exercised, the holder will receive an ordinary ADN share plus a secondary option with an exercise price of \$0.015 and a term expiring 31 March 2019.

The Company will separately notify holders of ADNOA series options and recommends holders seek independent financial advice if they are unsure what action to take in respect their ADNOA holding.

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 13 October 2015, 23 January 2017, 10 July 2017, and 27 November 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.