

ANDROMEDA

METALS

ANNUAL
REPORT
2020



Company information

DIRECTORS

| | |
|----------------|---|
| Rhod Grivas | Non-Executive Chairman |
| James Marsh | Managing Director |
| Nick Harding | Executive Director and Company Secretary |
| Joe Ranford | Operations Director |
| Andrew Shearer | Non-Executive Director |

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STOCK EXCHANGE LISTING

Australian Securities Exchange Limited
ASX code: ADN

ABN/ACN

75 061 503 375 / 061 503 375

Front cover photo

Night sky with Adromeda Galaxy superimposed.

Contents

| | |
|--|----|
| Company information | 2 |
| Company profile | 3 |
| Chairman's message | 4 |
| Overview of projects | 5 |
| Great White Kaolin Project | 5 |
| Mt Hope Kaolin Project | 11 |
| Halloysite Intellectual Property Joint Venture | 12 |
| Drummond Epithermal Gold Project | 13 |
| Moonta Copper Gold Project | 14 |
| Pilbara Gold Project | 15 |
| Eyre Peninsula Gold Project | 16 |
| Schedule of tenements | 17 |
| Competent person and JORC 2012 compliance statements | 19 |
| Corporate governance | 19 |
| Statutory reports | 20 |
| Directors' report | 20 |
| Remuneration report | 27 |
| Auditor's independence declaration | 33 |
| Consolidated statement of profit or loss and other comprehensive income | 34 |
| Consolidated statement of financial position | 35 |
| Consolidated statement of changes in equity | 36 |
| Consolidated statement of cash flows | 37 |
| Notes to the financial statements | 38 |
| Directors' declaration | 63 |
| Independent auditor's report | 60 |
| Investor information | 68 |
| Additional shareholder information | 69 |

Company profile

Andromeda Metals Limited is an emerging industrial minerals company listed on the Australian Securities Exchange (ASX: ADN) based in Adelaide, South Australia and has a vision of becoming the world's leading supplier of high grade halloysite-kaolin. The Company first listed in 1996 under the name Adelaide Resources and up until early 2018, the focus was directed towards predominantly gold and copper exploration at projects located in South Australia, the Northern Territory, Queensland and Western Australia.

From 2018, Andromeda Metals has directed its primary focus away from the exploration for gold and copper deposits to the evaluation and potential future development of halloysite-kaolin through the acquisition of a significant interest in the Great White Kaolin Project (previously the Poochera Halloysite-Kaolin Project) in South Australia and its planned advancement towards production.

Andromeda Metals' Board of Directors comprises a team of five individuals with years of experience in the minerals industry, and with a strongly complementary range of technical, financial, managerial and directorship skills.

The Chairman, Rhod Grivas, is a geologist with substantial resource industry and board experience. He possesses a strong combination of equity market, M&A, commercial, strategic and executive management capabilities. Rhod previously was 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. He is currently also Non-Executive Chairman of ASX listed companies Golden Mile Resources Limited, Aldoro Resources Limited and Okapi Resources Limited.

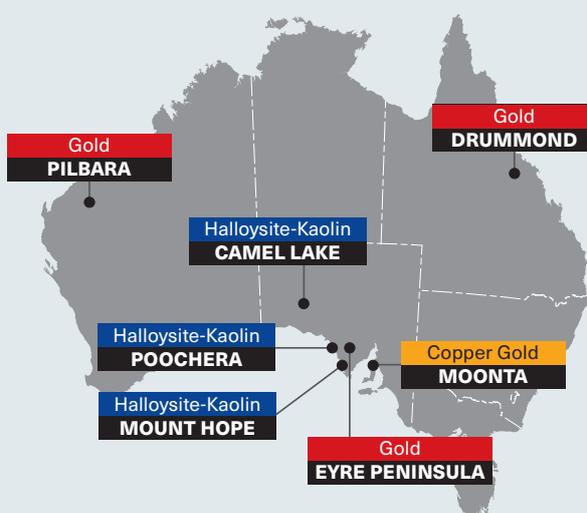
Managing Director, James Marsh is an industrial chemist and holds tertiary qualifications in chemistry and physics. He has extensive experience across a wide range of industrial minerals spanning over a 25 year period, including senior technical and marketing roles with two global market leaders. James 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.

Executive Director Nick Harding, who also acts as Company Secretary and Chief Financial Officer, is an accountant with over 30 years' experience in the resources industry. Nick has previously held senior financial roles with WMC Resources Limited, Normandy Mining Limited and Newmont Australia and has gained extensive experience in mine operations and project evaluations across a number of significant mining operations within Australia and overseas.

Operations Director Joe Ranford is a mining engineer with significant experience gained in senior management roles held with both domestic and international mining companies. Most recently, Joe held the role of Chief Operating Officer for Nordic Gold Inc. where he re-established mining operations for the Laiva Gold Mine in Finland from care and maintenance. He has also been Operations Manager for Terramin Australia where he managed all operational and technical aspects of the Angas Zinc Mine and championed the evaluation and approval processes for the Bird in Hand Gold Project, both in the community sensitive Adelaide Hills district of South Australia.

Non-executive director 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. Andrew brings strong professional skills and experiences in equity research, investor relations, valuations and capital markets through his previous role as a Senior Resource Analyst with PAC Partners Pty Ltd. He is also currently Executive Director of ASX listed Okapi Resources Limited and a Non-Executive Director of Resolution Minerals Limited and Investigator Resources Limited.

With the collective skills and experience of the Board of Directors and the quality of the halloysite-kaolin Project at Great White (Poochera) and other prospects, the Board is of the view that Andromeda Metals' vision to be a sustainable industrial minerals producer of high-quality halloysite-kaolin is achievable and thus providing shareholders with substantial financial return on their investment in the Company.



Chairman's message

I want to start this message in acknowledging the Board and staff of Andromeda Metals, led by our Managing Director James Marsh. Without their combined exceptional and unflagging efforts, our Company would not have achieved the success made over the course of this year. It is their tireless work that has continued to propel Andromeda beyond our own expectations. While we continue to grow the size of our market capitalisation, we are also continuing to grow the Board, workforce, consultants and advisors who have seamlessly complemented the small dedicated Andromeda team I drew your attention to in my last address.

Fellow Shareholders, your support has been extraordinarily positive, engaging and much appreciated. The attendance at last year's AGM was an all-time high and in my experience a rare display of support for a junior resource company. Last year I reflected on the share price and market capitalisation growth of Andromeda. I suspect readers of this message are also reflecting on that growth this year. However, we as a Company do not intend to rest on our laurels but reset our focus for the next 12 months to consolidate Shareholder value and continue to grow it further.

We aim to continue to become a multifaceted development company specialising in 'All Things Halloysite' by not only pursuing organic growth of our Mineral Resources, converting those Resources into Ore Reserves, improving the quality of the feasibility studies and building a producing mine in South Australia, but to also encourage different uses for Halloysite in multiple applications, some at the forefront of science and in areas that are likely to play a part in reducing the global impact on the environment.

Building a sustainable company is not without its challenges and we recognise over the next 12 months there are goals that need to be met with respect to the Great White Kaolin Project, including lodgement of the Mining Lease application, completion of a definitive feasibility study to a high quality bankable standard as well as the locking in of binding offtake agreements to support the price and volume demand estimates that have been made for our product. We continue to explore opportunities to de-risk the Project by reviewing mining and processing options, engaging with the mature international markets, looking closer at new domestic markets and optimising in-pit feed sources. We have aligned our incentivisation plans for the Board and employees to that of achieving Shareholder value by meeting the important milestone of commencement of mining the Great White deposit by February 2022.

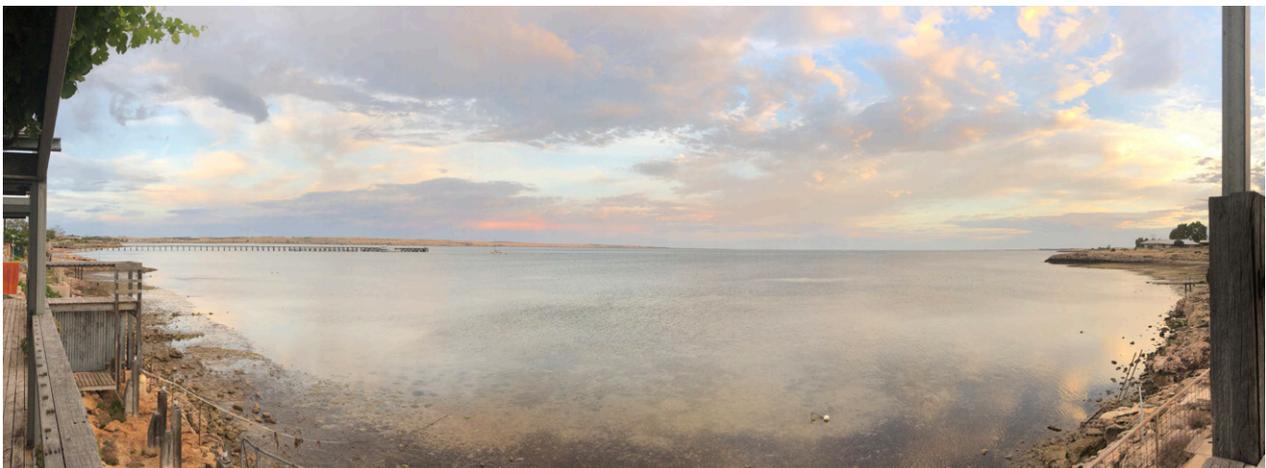
Finally I take this opportunity to express gratitude to the partners and families of the Board and staff for supporting our focus and the extra hours given to develop the Company in a very difficult 2020 working environment.

Thank you all for your interest and support and I look forward to 2021 with great enthusiasm.



Rhod Grivas

Chairman



Streaky Bay.

Overview of projects

Great White Kaolin Project

SOUTH AUSTRALIA

Andromeda Metals earning up to 75% interest



Andromeda Metals currently holds a 51% equity interest in the world class halloysite-kaolin Great White Kaolin Project (previously known as the Poochera Halloysite-Kaolin Project) under a joint venture formed in April 2018 with Minotaur Exploration Limited (ASX: MEP). The Project is located at Poochera on the Eyre Peninsula of South Australia approximately 635 km west by road from Adelaide and near the coastal town of Streaky Bay. (refer figure 1).

Joint Venture Terms

Under the terms of the Great White Kaolin Joint Venture, Andromeda is required to spend up to \$6 million dollars over 5 years to earn a 75% interest in the Project. In March 2020 the Company completed Stage 1 of the expenditure commitment by spending \$3 million in the first 2 years on the Project to earn a 51% interest and elected to sole contribute a further \$3 million over the following 3 years to move to a 75% interest in the Great White Kaolin Project. Andromeda will revert to an immediate 75% equity interest on a decision to mine by the joint venture partners.

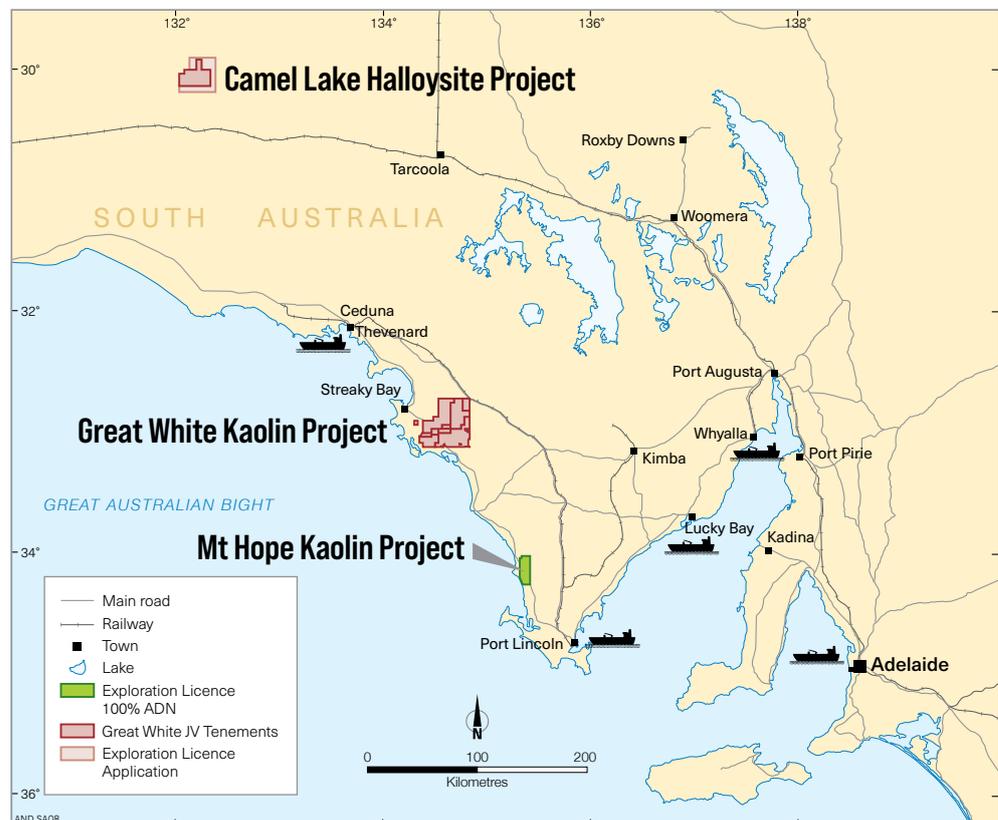


Figure 1 Andromeda Metals' halloysite-kaolin project locations.

Overview of projects

Project Name Changes

In addition to renaming the project the Great White Kaolin Project, the various deposits and prospects have also been renamed based on a theme of sharks and rays found in Australian waters, which was considered appropriate given the propensity for sharks contained within the waters surrounding the Eyre Peninsula.

The deposits and prospects previous and new names are shown in Table 1 and locations in Figure 2

Table 1 New project nomenclature.

| PREVIOUS NAME | NEW NAME |
|---------------------------------|---|
| Carey's Well Deposit | Great White Deposit |
| Condoorngie Prospect | Hammerhead Prospect |
| Tomney Prospect (East and West) | Tiger Prospect (East) Bronze Whaler (West) |
| Karcultaby South Prospect | Manta Prospect |

Feasibility Studies

Scoping Study

A Scoping Study for The Great White Kaolin Project was released on 30 September 2019 and was based on the assumption of an initial direct shipping ore (DSO) operation during the first two years while a dry-processing plant is constructed and operational during Year 3. Dry-processing of mined kaolinised granite to remove the majority of the contained quartz sand, generating significant transport and shipping

savings over DSO, is then shipped in bulk bags to Asia for toll wet-refining in order to produce a premium bright-white halloysite-kaolin product. The Scoping Study results showed that the Project was a technically sound and financially robust venture capable of generating significant cash flows returning an NPV before tax of \$413M (using an 8% discount rate), an IRR of 174% and payback of 15 months.

Updated Scoping Study

An update to the Scoping Study to consider wet-processing of site rather than dry-processing was undertaken and released on 6 April 2020, which delivered significant improvements to the already compelling project economics for the Great White Kaolin Project. Under the Scoping Study update, a wet-processing option which considers a low cost, highly efficient and commercially available plant to be built at site that produces a concentrated kaolinic product shipped in bulk in the form of filter cake rather than bags for final toll wet-refining, has the advantage of generating improved recoveries of refined kaolin clay material that is made available for sale and a lower cost per tonne for processing due to operating efficiencies of the wet-processing plant under consideration.

Under the Updated Scoping Study, at a unchanged assumed selling price of A\$700/tonne, total life of mine (LOM) revenues increased by 22% compared to the Original Scoping Study, All In Sustaining Capital (AISC) reduced over the LOM and total cumulative

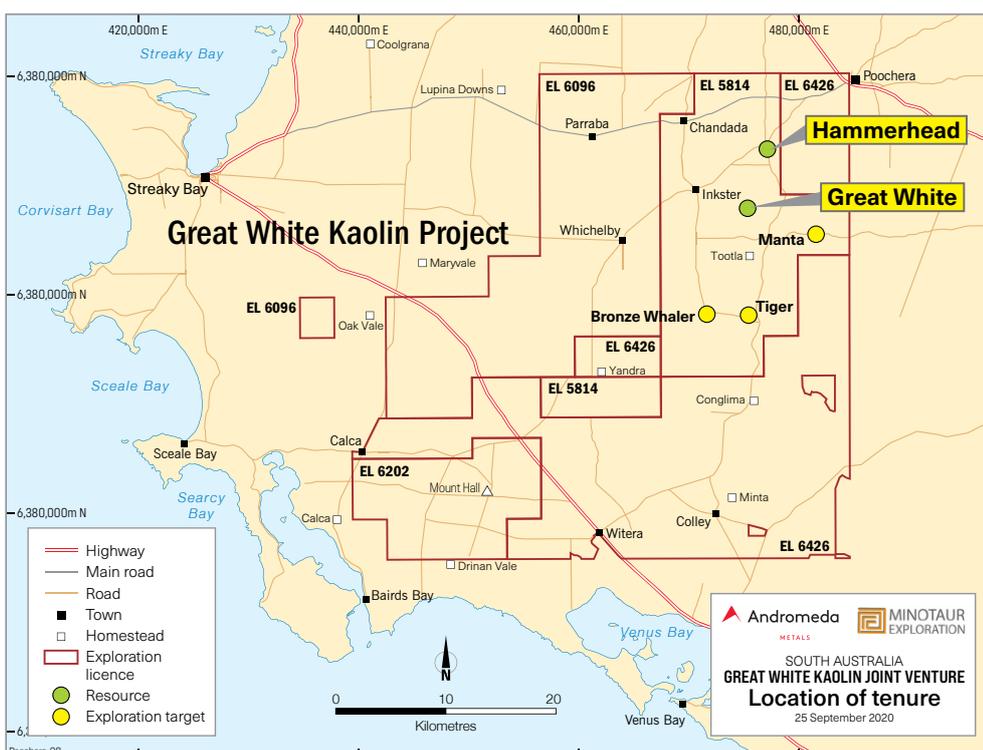


Figure 2 Great White Kaolin Project deposits and prospects.

Overview of projects

cashflow generated over LOM by wet-processing on site increases by 31%. Total capital costs were only marginally higher under the wet-processing scenario. Using an 8% discount rate, this gave the Project an NPV of A\$544M, an increase of A\$131M while the IRR remained virtually unchanged at 175%. Both the Original and Updated Scoping Studies were based upon the February 2019 Mineral Resource to allow meaningful comparison of the two processing alternatives and the same mine life of 15 years at a processing rate of 500ktpa of kaolinised granite applied. The Payback Period was the same under both scenarios of 15 months.

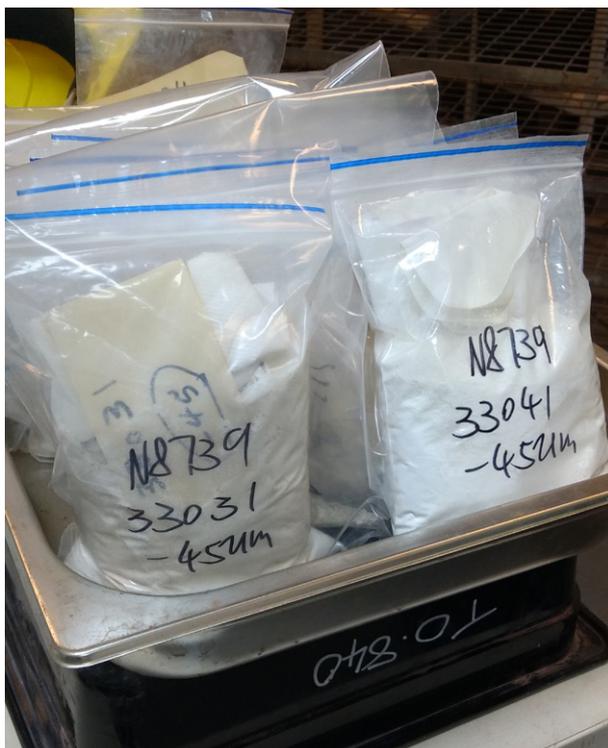
Pre-Feasibility Study

A more detailed Pre-Feasibility Study (PFS) for the Great White deposit was released on 1 June 2020. The PFS built on the highly positive Updated Scoping Study and reinforced the potential for the Great White Kaolin Project to be a long-term supplier of high-quality halloysite-kaolin product able to meet a growing global demand from ceramics industry manufacturers and hence generate significant cash flows for Andromeda.

The PFS was based upon an initial phase of mining kaolinised granite as Direct Shipping Ore (DSO) and toll wet-refining overseas to generate early cash flows that would be used to fund construction of an onsite wet-

processing facility, and associated infrastructure during the second year of operation. Production would then be scheduled to convert to onsite wet-processing to remove the majority of the contained quartz sand in the mined kaolinised granite, and produce concentrated kaolinitic product to be shipped in bulk as filter cake for final toll wet-refining overseas in order to produce a premium bright-white halloysite-kaolin product.

Both dry-processing and wet-processing at site were evaluated during the study with wet-processing proving to produce the significantly better project economics. The prime advantages of onsite processing by a wet rather than a dry method is that it delivers greater recoveries of kaolin clay, and hence the generation of considerably higher revenues, while also providing lower site processing costs due to the operating features of wet processing and efficiencies of the plant design being considered. The inclusion of a hot drying stage under wet-processing was made in order to comfortably meet maximum shipping moisture contents, with the benefit of recovering condensed water that would subsequently reduce the external water demand, and also lower tonnage-based transport and shipping costs. Both the initial bulk DSO material and wet-processed bulk filter cake product would be shipped through existing, or under development, port facilities.



Overview of projects

A summary of the key physical and financial statistics associated with both the PFS and the previous Updated Scoping Study is shown in Table 2.

Table 2 PFS Key Great White Project statistics.

| | UPDATED SS | PFS | CHANGE |
|--|------------|-----------|-----------|
| Mine plan – production target | | | |
| From measured resources | 4.2 Mt | 11.2 Mt | +167% |
| From indicated resources | 3.4 Mt | 1.3 Mt | -61% |
| From inferred resources | 0.0 Mt | 0.2 Mt | Minimal |
| Total production target | 7.6 Mt | 12.7 Mt | +67% |
| Capital costs | | | |
| Initial capital costs | \$13M | \$13M | No Change |
| Working capital | \$16M | \$15M | -6% |
| Maximum cash requirement | \$29M | \$28M | -3% |
| Processing plant costs | \$35M | \$56M | +60% |
| Sustaining capital costs | \$11M | \$15M | +36% |
| Production summary | | | |
| Mine life (years) | 15 | 26 | +70% |
| Processing rate of kaolinised granite (ktpa) | 500 | 500 | No Change |
| Stripping ratio (waste:ore) | 2.3 | 2.1 | -9% |
| Annual refined kaolin produced (ktpa) | 227 | 233 | +3% |
| Yield of refined kaolin (LOM average) | 45% | 46% | +1% |
| Project economics | | | |
| Refined premium kaolin price (AUD) | \$700/t | \$700/t | No Change |
| Revenue | \$2,379M | \$4,136M | +74% |
| AISC equivalent (LOM average) | \$374/t | \$354/t | -5% |
| EBITDA (LOM) | \$1,109M | \$2,058M | +86% |
| Pre-tax cashflow | \$1,049M | \$1,974M | +88% |
| Pre-tax NPV (8% discount rate) | \$544M | \$736M | +35% |
| Pre-tax IRR | 175% | 175% | No Change |
| After-tax cashflow | N/A | \$1,389M | New |
| After-tax NPV (8% discount rate) | N/A | \$511M | New |
| After-tax IRR | N/A | 135% | New |
| Payback from start of site works | 15 months | 15 months | No Change |

Overview of projects



Main street of Streaky Bay township.

The PFS was developed using the December 2019 Mineral Resource estimate (refer ADN ASX announcement dated 23 December 2019 titled "Significant Increase in Mineralised Resource for the Poochera Kaolin Project") of 26.0Mt of Measured, Indicated and Inferred kaolinised granite.

A mining rate of 500ktpa of raw material for the 12.7Mt Production Target over a 26-year mine life was assumed, producing on average 233ktpa of refined premium halloysite-kaolin product with a 15% average LOM halloysite content.

Total cumulative cash flow generated over the LOM was A\$1,974M (pre-tax). At an assumed discount rate of 8%, the Project showed an NPV of A\$736M (Pre-Tax), an IRR of 175% and payback of initial capital and operating expenditures within 15 months from commencement of operations.

Great White Mineral Reserve

A maiden Ore Reserve Estimate for the Great White Deposit of 12.5Mt was announced on 10 July 2020. The Ore Reserve Estimate, comprising of 15% halloysite and 78% kaolinite in the minus 45 micron fraction, consisted entirely of Probable Reserves in accordance with the 2012 JORC Code guidelines and had been derived from the Measured and Indicated Mineral Resources contained within the December 2019 Mineral Resource Estimate announced on 23 December 2019, and is shown in Table 3 below. The

Ore Reserve supports a 26-year mine life at a mining rate of 500,000 tpa which is the basis under which the PFS was prepared.

Hammerhead Resource

A 2,000 metre aircore drilling program was undertaken in May 2020 at the Hammerhead (formerly Condooringie) Prospect, which is approximately 5 km northeast of the Great White deposit, to follow up on a high-grade halloysite zone located 1 km north of drilling undertaken at Condooringie in December 2019, which significantly extended the kaolin zone to the south and allowing for an initial Mineral Resource estimate for Hammerhead to be prepared.

Camel Lake Halloysite Project

The Camel Lake Halloysite Project, which is located approximately 350 km north-west of the Great White deposit and has reported historical occurrences of near pure halloysite, is part of the Great White Kaolin Project Joint Venture with Minotaur.

An introductory meeting with the Maralinga Tjarutja Council, who are the traditional landowners on which the Camel Lake tenement is located, was held following the year end in August 2020 with a very positive response received. Andromeda is now working towards heritage clearance for the exploration areas so that sampling can be undertaken.

Table 3 Great White Ore Reserve estimate.

| CATEGORY | TONNES MT | GRADE % -45µm | MINERAL CONTENT % OF -45µm FRACTION | | HALLOYSITE + KAOLINITE % OF -45µm FRACTION |
|----------|--------------|------------------|--|-----------|---|
| | | | HALLOYSITE | KAOLINITE | |
| Proven | 0.0 | 0 | 0 | 0 | 0 |
| Probable | 12.5 | 52 | 15 | 78 | 93 |
| Total | 12.5 | 52 | 15 | 78 | 93 |

Note that all figures are on a 100% Project basis and rounded for appropriate levels of confidence.

Overview of projects

New exploration licences

Two exploration licence applications considered prospective for halloysite-kaolin were lodged for large areas adjacent to the Great White and Camel Lake Projects. Mount Cooper covers 648 km² directly south and east of the three tenements at Great White where previous drilling had encountered considerable high-purity halloysite, and Dromedary covers 481 km² bordering the Camel Lake tenement to the north, east and south and has been secured as part of a strategy to explore for further high-purity halloysite occurrences.

Market opportunities

Marketing activity for the PFS focussed on confirmation of product market pricing and current demand, along with production of large amounts of commercially representative products to be used to secure customer offtake agreements. Market pricing for Andromeda's premium grade halloysite-kaolin was indicated by end users and commercial contacts in China, Japan and Europe along with independent consultants. Production of commercial quantities of final product was completed and will now be distributed to potential customers to secure offtake agreements.

A visit to China was made in June/July 2019 that confirmed a significant demand for both halloysite-kaolin ore and dry-processed product by numerous potential Chinese customers. As a result, a number of non-binding offtake Letters of Intent (LOI) were received over the 2019 September quarter giving 307,000tpa of non-binding offtake LOIs for the dry-processed product in addition to the previous total of 405,000tpa of DSO and the 208,000tpa of wet-refined product, which is the premium grade for the ceramics industry.

Testing of product was expanded to new applications to reduce dependence on the Chinese ceramic industry and to investigate potentially higher value business in Australia and overseas. This included concrete and mine backfill applications where initial results are extremely promising.

Other samples are also being tested in coatings (paint and ink) applications as was for remediation.

The additional potential kaolin market areas of High Purity Alumina (HPA) production for use in the manufacture of high-tech products such as the battery and energy storage sector, LED lighting

industry and sapphire glass (smart phones and TV screens) remains of interest, and a number of opportunities are under consideration.

These additional market opportunities were not considered in the PFS work, but represent significant potential future opportunities and further de-risking of the project, so may be included in the Definitive Feasibility Study which is currently underway.

Moving forward

The anticipated timeline for the Project development is to conduct environmental impact assessments over the balance of the 2020 calendar year and prepare a mining lease application targeted to be lodged in early 2021. Subject to satisfactory progress negotiating agreements with key stakeholders, obtaining of all necessary regulatory approvals and completion of a Definitive Feasibility Study, commencement of site activities is targeted for early 2022 with first product sales possible in mid-2022.



Overview of projects

Mount Hope Kaolin Project

SOUTH AUSTRALIA

Andromeda Metals 100%



The 100% owned Mount Hope Kaolin deposit is located on EL 6286, approximately 80 km northwest of Port Lincoln and 160 km southeast of the Great White Kaolin Project on the west coast of South Australia's Eyre Peninsula (Figure 3).

The Mount Hope tenement had previously reported a non-JORC kaolin resource of 12.26Mt in 1973. In March 2020, the Company undertook an aircore drilling program comprising 40 holes for 1,383 metres to verify the central portion of the historic kaolin resource in order to estimate a revised Mineral Resource compliant with the JORC 2012 Code and to obtain fresh material for testwork to determine suitability for various applications.

Assay results received from this drilling program were released to the market subsequent to the end of the June quarter which delivered significantly high bright white kaolin intersections (above 80 ISO Brightness) across the historic kaolin resource. Some areas of the Mount Hope deposit returned high levels of halloysite (>20%) that is similar to the existing resource at Great White. However, a substantial portion of the deposit showed exceptionally low iron contaminant within the bright white kaolin rarely found elsewhere in the world, with halloysite levels ideally suited to some high-value markets in specialist coatings and polymers. This has opened up a new and potentially significant market opportunity for Andromeda to explore in addition to the high-value ceramic market and thereby provides the Company with excellent market diversification and de-risking in addition to potentially adding further significant value to the business as a whole. Large scale samples of this high-purity kaolin material have been sent to the UK for specialist processing and application testing along with some equivalent material from Great White.

In August 2020 Andromeda released an Inferred Resource Estimate of 18.0Mt of kaolinised granite for the Mt Hope Kaolin Deposit that is compliant with the 2012 JORC Code.

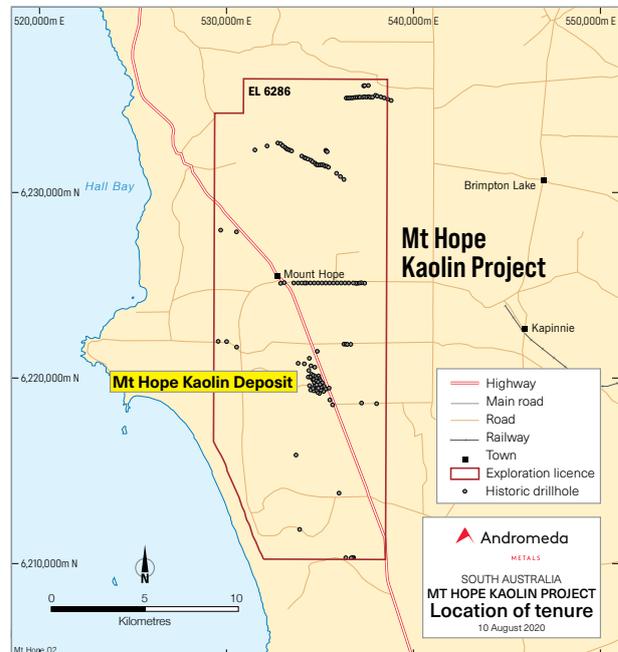


Figure 3 Mount Hope tenement, EL 6286.



Overview of projects

Halloysite Intellectual Property Joint Venture

SOUTH AUSTRALIA

Andromeda Metals 50%

Andromeda Metals and Minotaur Exploration formed the 50:50 Intellectual Property Joint Venture company Natural Nanotech Pty Ltd in May 2019 to undertake research and hold title to any intellectual property developed in relation to new technology innovations created for halloysite application and uses along with the commercialisation of potential opportunities. A collaboration with the University of Newcastle's Global Innovation Centre for Advanced Nanomaterials (GICAN) has seen significant progress made with research in a number of areas including carbon capture/storage/conversion, water purification and energy systems. In October 2019 Andromeda secured a matched Commonwealth grant for a total of up to \$100,000 to be spent on research conducted by GICAN into the use of halloysite nanotubes for use as a safe means for hydrogen storage.

GICAN are in the process of constructing a pilot plant to assist commercialisation of the carbon capture technologies, which will be operation before the end of 2020.



Potential applications for halloysite nanotube (HNT) technology.

Overview of projects

Drummond Epithermal Gold Project

QUEENSLAND

Andromeda Metals 100%. (Evolution Mining Limited currently earning up to 80% interest)



The Drummond Epithermal Gold Project comprises five tenements securing a total area of 539km² in the gold prospective Drummond Basin in northern Queensland. The Drummond Basin is prospective for high grade epithermal gold deposits such as Pajingo which has produced approximately 3 million ounces of gold.

Joint Venture with Evolution Mining

On 31 August 2018, the Company entered into a binding Earn-in and Exploration Joint Venture Agreement with Evolution Mining Limited (ASX: EVN) over the Drummond Epithermal Gold Project which would see up to \$6.5 million spent over 4 years by an experienced Australian gold miner in the region to earn up to an 80% equity interest in the Project. On execution of the Agreement, the Company received a \$300,000 cash payment with a requirement that Evolution sole fund \$2 million on exploration activities across the Project tenements within 2 years from the date of signing the Joint Venture Agreement (Stage 1 Commitment).

On 11 September 2019, following confirmation by the Company that Evolution had met the Stage 1 expenditure commitment, Evolution gave notice of its decision to proceed with Stage 2 requiring it to spend a further \$4 million over the next 2 years to move to an 80% equity interest in the Project. Andromeda received a second cash payment of \$200,000 from Evolution on their decision to proceed with Stage 2 as per the terms of the joint venture agreement.

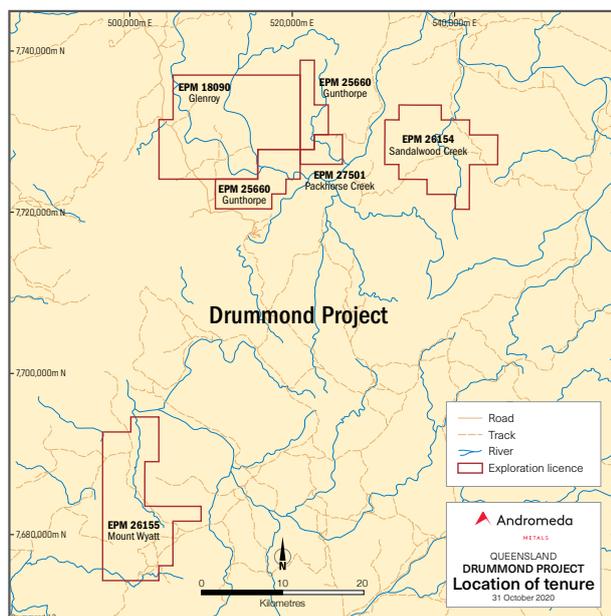


Figure 5 Location of tenure at Drummond Project.

Exploration during the year

The diamond drilling program which commenced in May 2019, was finalised in the first quarter on the 2019/20. A total of 10 holes for 4,568 metres were drilled with 5 holes for 2,159.7 metres at Bunyip and 5 holes for 2408.3 metres drilled at South West Limey.

Assays returned only modest results with a highest intercept achieved at Bunyip of 3.42g/t Au from 7 metres while results at South West Limey returned only narrow low grade intersections.

Field activities were suspended from early 2020 for the remainder of the financial year due to COVID-19 restrictions. However subsequent to the end of the year field exploration activities on the Drummond Gold Project resumed with a RC drilling program, incorporating diamond tails, to test a 300 metre strike length target of the Roo Tail Breccia, which is located at the southern end of the South West Limey Prospect, commencing in late September 2020.

In addition to drilling, Evolution conducted the following exploration activities across the Project during the year:

- extended the geological mapping of the Limey Trend (from South West Limey to North Limey along a 2.5 km strike length);
- completed an extension to the ground magnetic survey north of South West Limey along the Limey Trend to North Limey;
- undertook a soil sampling program over the Stones Creek Volcanics;
- completed an airborne hyperspectral survey across significant areas of the tenement package with the data collected identifying a number of discrete pyrophyllite anomalies;
- performed geological mapping and soil sampling of the Breccia Hill prospect;
- conducted an initial reconnaissance visit to the Mt Wyatt tenement;
- completed significant track upgrades to provide access for further regional and remote work across the Drummond Project;
- made application on behalf of the joint venture on vacant ground (Packhorse Creek) adjacent to EPM 25660 following identification of an anomaly resulting from the airborne hyperspectral survey.



Figure 4 Location of Drummond Project.

Overview of projects

Moonta Copper-Gold Project

SOUTH AUSTRALIA



Andromeda Metals 100%

(except Moonta Porphyry JV: Andromeda Metals 90%, Minotaur Exploration 10%). Environmental Metals Recovery currently earning up to a 75% interest)

The Moonta Copper-Gold Project falls near the southern end of the world class Olympic Copper-Gold Province in South Australia. The Olympic Copper-Gold Province is highly prospective for Iron Oxide Copper Gold (IOCG) deposits, with Olympic Dam, Prominent Hill and Moonta-Wallaroo being three mines with past or current production. OZ Minerals is now also developing a mine at the Carrapateena deposit.

Moonta ISR Copper Joint Venture

In December 2018, the Company executed a binding Earn-in and Joint Venture Agreement with Environmental Metals Recovery Pty Ltd (EMR) to form the Moonta ISR Joint Venture covering the northern part of the 100% owned Moonta tenement EL 5984 in South Australia. EMR can earn an initial 51% interest in the Project Area by sole funding \$2.0 million on project related activities across the Project Area within four years of execution of the Joint Venture Agreement (Stage 1 Commitment). It can elect to acquire an additional 24% equity interest (75% in total) through expenditure of an additional \$3.5 million (\$5.5 million in total) over a further 3.5 years (7.5 years in total) (Stage 2 Commitment).

EMR is an Australian private company comprising a team of senior mining professionals with extensive experience in mine development and operations, including ISR production in South Australia. EMR is an entity associated to Environmental Copper Recovery SA Pty Ltd that is currently advancing the Kapunda Copper ISR Project and comprises the same project team.

The Project Area defined by the Joint Venture Agreement is considered to have attributes that are prospective for hydrometallurgical in-situ recovery application and significant technical due diligence has been completed by EMR personnel to date. The Bruce and Wombat prospects within the Project Area are seen to possess a number of critical attributes that may allow hydrometallurgical ISR copper production. Both prospects are characterised by deeply developed weathering troughs that extend hundreds of metres below the surface. The rock to both the north and south of the weathering troughs are fresh and impermeable while the trough material contains copper mineralisation that is oxidised, porous and likely permeable, and is situated below the water table and sea level. Both prospects remain open along strike, presenting opportunities to find further mineralisation in the trough extensions.



Figure 6 Location of Moonta tenement.

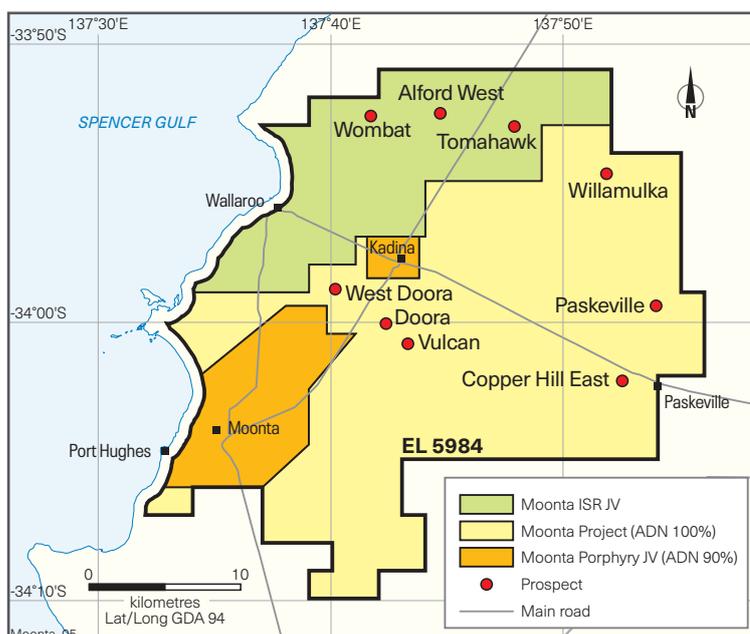


Figure 7 EL 5984 project location map.

Overview of projects

In-situ recovery is a production process used to recover minerals using a fluid circulated via drilled wells. During the process a leaching solution (or "lixiviant") is injected into the mineralisation via a borehole, passes through the deposit leaching the target commodity, 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 production from much lower grade deposits. Importantly, as no significant surface disturbance is required, an ISR operation could conceivably be conducted in conjunction with current agricultural land use, and once completed have little on-going impact.

The Company still retains 100% ownership of a significant amount of the tenement, which is highly prospective for copper mineralisation and located at the southern end of the Olympic Copper-Gold Domain. The ground contains the Willamulka, Paskeville, Copper Hill East and West Doora prospects amongst others and Andromeda Metals is continuing to seek potential third party funding to advance this area of the Project.

Financial year activity

During the first quarter of 2019/10, EMR completed a JORC 2012 Mineral Resource Estimate incorporating historical drilling results from a number of copper prospects over the area of interest covered by the joint venture. The results from this work has determined an Inferred Resource of 66.1 million tonnes grading 0.17% Cu, containing 114,000 tonnes of contained copper at a cut-off grade of 0.05% Cu.

Composite samples from the Bruce, Larwood and Wombat prospect, which included elevated levels of copper and gold, were the subject of mineral characterisation testing by XRD and QEM scanning followed by a series of bottle roll leach tests designed to determine recoveries using a number of different lixiviant/oxidant combinations. Results show that the main copper species found at Wombat is readily leachable using various reagents as lixiviants in recovering copper and gold under both acid and alkaline conditions.

Evaluation of historical geophysical and hydrogeological data also occurred during the year in addition to Hylogger spectral scanning of historic Wombat diamond core.

Pilbara Gold Project

WESTERN AUSTRALIA

Andromeda Metals 100%



The Pilbara Gold Project comprises four tenements covering a total of 396 km² located in the Pilbara region of Western Australia. 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.

Financial year activity

During the year application was made to acquire a new tenement E43/1336, which is adjacent to the Company's E 46/1196 tenement, to add to the Pilbara Gold Project portfolio. The new tenement has evidence of historical alluvial gold workings and past metal detecting for nuggets, with gold anomalous rock chips encountered over the 14 km of strike. However no drilling has been completed over the tenement other than two shallow holes previously drilled for uranium.

Andromeda is currently considering how best to move the Pilbara Gold Project forward given the focus of the Company is directed towards development of the Great White Kaolin Project.

Overview of projects

Eyre Peninsula Gold Project

SOUTH AUSTRALIA

Andromeda Metals 100%

(Cobra Resources PLC earning up to a 75% equity interest)



The Eyre Peninsula Gold Project comprises six tenements that total 1,928 km² in the Central Gawler Craton Gold Province of South Australia. 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.

Wudinna Gold Farm-In and Joint Venture

On 31 October 2017, the Company executed a binding Heads of Agreement with Lady Alice Mines Pty Ltd (LAM) to form the Wudinna Gold Farm-in and Joint Venture. LAM was subsequently acquired by listed London Stock Exchange entity Cobra Resources PLC (Cobra). Cobra comprises a Board of highly regarded mining executives with significant resource company experience both in Australia and overseas.

Stage 1 of the Farm-in requires Cobra to sole fund \$2.1 million by 30 October 2020 to earn 50% equity in the project. After completion of Stage 1 Cobra 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.

Following a request received from Cobra to extend the Stage 1 earn-in timeframe due predominantly to COVID-19 travel restrictions, the Company agreed to grant a two month extension to 31 December 2020 for Cobra to meet its \$2.1 million expenditure commitment under the joint venture agreement.

Exploration during the year

Results from 3 geochemical sampling programs conducted over a number of prospects during the second half of 2019/20 by Cobra, which included multi-element geochemical analysis, has identified a unique and distinctive chemical footprint for gold mineralisation which Cobra believes will improve drill targeting of gold mineralisation across the Eyre Peninsula Gold Project.

Subsequent to the end of the year, Cobra commenced a substantial RC drilling program over a number of prospects across the Project. A total of 45 holes for 6,750 metres is targeted with the primary objective to define the orientation and extensions of mineralisation at various areas prospective for gold. Cobra's stated aspirational aim is to build on the current Mineral Resource of 211,000 ounces towards an initial target of 1 million ounces of gold resource across the Project area.

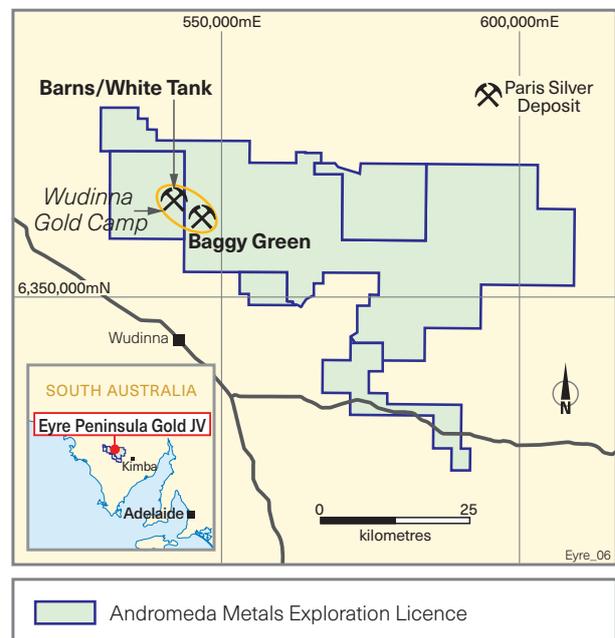


Figure 8 Location of Eyre Peninsula project tenements.

Schedule of tenements

as at 30 June 2020

| TENEMENT | TENEMENT NAME | AREA KM ² | REGISTERED HOLDER OR APPLICANT | NATURE OF COMPANY'S INTEREST |
|---|--------------------|----------------------|---|---|
| SOUTH AUSTRALIA | | | | |
| Wudinna Gold Joint Venture | | | | |
| EL 6317 | Pinkawillinie | 156 | Peninsula Resources Ltd ¹ | 100% |
| EL 6131 | Corrobinnie | 1303 | Peninsula Resources Ltd | 100% |
| EL 6489 | Wudinna Hill | 42 | Peninsula Resources Ltd | 100% |
| EL 5953 | Minnipa | 184 | Peninsula Resources Ltd | 100% |
| EL 6001 | Waddikee Rocks | 147 | Peninsula Resources Ltd | 100% |
| EL 6262 | Acraman | 96 | Peninsula Resources Ltd | 100% |
| Moonta Copper Gold Project⁹ | | | | |
| EL 5984 | Moonta-Wallaroo | 713 | Peninsula Resources Ltd | 100% |
| EL 5984 | Moonta Porphyry JV | 106 | Peninsula Resources Ltd | 90% - option to acquire 100% from Minotaur Exploration Ltd |
| Great White Kaolin Project | | | | |
| EL 5814 | Tootla | 372 | Great Southern Kaolin Pty Ltd ² | ADN 51%, GSK 49% |
| EL 6096 | Whichelby | 447 | Minotaur Operations Pty Ltd ³ | ADN 51%, MOP 49% |
| EL 6202 | Mt Hall | 147 | Minotaur Operations Pty Ltd | ADN 51%, MOP 49% |
| EL 6426 | Mt Cooper | 684 | Minotaur Operations Pty Ltd | ADN 51%, MOP 49% |
| Camel Lake Halloysite-Kaolin Project | | | | |
| EL 6128 | Camel Lake | 455 | Minotaur Operations Pty Ltd | ADN 51%, MOP 49% |
| ELA 2019/73 | Dromedary | 481 | Minotaur Operations Pty Ltd | ADN 51%, MOP 49% |
| Mt Hope Halloysite-Kaolin Project | | | | |
| EL 6286 | Mt Hope | 227 | Andromeda Industrial Minerals Pty Ltd ⁴ | 100% |

| TENEMENT | TENEMENT NAME | AREA KM ² | REGISTERED HOLDER OR APPLICANT | NATURE OF COMPANY'S INTEREST |
|--|------------------|----------------------|---|---|
| QUEENSLAND | | | | |
| Drummond Gold Project⁶ | | | | |
| EPM 18090 | Glenroy | 196 | Adelaide Exploration Pty Ltd ⁵ | ADN 100%, EVN earning 80% over 48 months |
| EPM 25660 | Gunthorpe | 74 | Adelaide Exploration Pty Ltd | ADN 100%, EVN earning 80% over 48 months |
| EPM 26154 | Sandalwood Creek | 109 | Adelaide Exploration Pty Ltd | ADN 100%, EVN earning 80% over 48 months |
| EPM 26155 | Mount Wyatt | 144 | Adelaide Exploration Pty Ltd | ADN 100%, EVN earning 80% over 48 months |
| EPMA 27501 | Packhorse Creek | 16 | Adelaide Exploration Pty Ltd | ADN 100%, EVN earning 80% over 48 months |
| WESTERN AUSTRALIA | | | | |
| Pilbara Gold Project | | | | |
| E 46/1196 | East Rooneys | 54 | Frontier Exploration Pty Ltd ⁷ | 100% |
| E 46/1336 (Application) | Rooneys | 95 | Frontier Exploration Pty Ltd | 100% |
| E 08/2954 | Wyloo | 124 | Mylo Gold Pty Ltd ⁸ | 100% |
| E 08/2955 | Cheela Plains | 123 | Mylo Gold Pty Ltd | 100% |

1 Peninsula Resources Ltd (incorporated 18 May 2007) is a wholly owned subsidiary of Andromeda Metals Ltd.

2 Great Southern Kaolin Pty Ltd ("GSK") is a wholly owned subsidiary of Minotaur Exploration Ltd.

3 Minotaur Operations Pty Ltd ("MOP") is a wholly owned subsidiary of Minotaur Exploration Ltd.

4 Andromeda Industrial Minerals Pty Ltd (incorporated 9 August 2018) is a wholly owned subsidiary of Andromeda Metals Ltd.

5 Adelaide Exploration Pty Ltd (incorporated 13 July 2001) is a wholly owned subsidiary of Andromeda Metals Ltd.

6 Andromeda Metals Ltd has formed a Joint Venture with Evolution Mining Ltd ("EVN") over the Drummond Epithermal Gold Project.

7 Frontier Exploration Pty Ltd (acquired 21 December 2017) is a wholly owned subsidiary of Andromeda Metals Ltd.

8 Mylo Gold Pty Ltd (acquired 21 December 2017) is a wholly owned subsidiary of Andromeda Metals Ltd.

9 Andromeda Metals Ltd has partnered with Environmental Metals Recovery Pty Ltd ("EMR") to form the Moonta ISR Joint Venture.

Competent Person and JORC 2012 Compliance Statements

Corporate governance

COMPETENT PERSON STATEMENTS

Information in this report has been compiled by Mr James Marsh a member of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Marsh is an employee of Andromeda Metals Limited who holds shares and options in the company and has sufficient experience, which is relevant to the style of mineralisation, type of deposits and their ore recovery under consideration and to the activity being undertaken to qualify as Competent Persons under the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). This includes Mr Marsh attaining over 30 years of experience in kaolin processing and applications. Mr Marsh consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The data in this report that relates to Mineral Resource Estimates is based on information thoroughly reviewed by Mr Eric Whittaker who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM). Mr Whittaker is the Chief Geologist of Andromeda Metals Limited and 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 Whittaker consents to inclusion in this document of the information in the form and context in which it appears.

Andromeda Metals and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council.

The corporate governance statement for the year ended 30 June 2020 can be viewed on the Company's website at www.andromet.com.au.

Statutory reports

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 2020. 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

Rhod Grivas is a geologist with over 30 years resource industry experience, including 20 years ASX listed company board experience. He is currently Non-Executive Chairman of several ASX listed resource companies 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

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 30 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.

Joseph F Ranford

BEng (Mining), MBA, FAusIMM, GAICD

Operations Director – commenced 8 April 2020

Joe Ranford is a mining engineer with significant experience gained in senior management roles he has held with both domestic and international mining companies. Most recently he held the role as Chief Operating Officer for Nordic Gold Inc., a Canadian based company which was the previous owner of the Laiva Gold Mine in Finland, where he re-established mining operations and brought the project back into production from care and maintenance. Prior to that time Joe was Operations Manager for Terramin Australia Limited where he managed all operational and technical aspects of the Angas Zine Mine and championed the evaluation and approval processes for the Bird in Hand Gold Project, both in the community sensitive Adelaide Hills district of South Australia

Andrew N Shearer

BSc (Geology), Hons (Geophysics),
MBA

Non-Executive Director Audit and Risk Committee Chairman

Andrew Shearer has been involved in the mining and finance industries for 25 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.

Most recently Mr Shearer held the position of Senior Resource Analyst at PAC Partners Pty Ltd, a well-respected and trusted and corporate advisor of companies. His industry experience has included senior management experience and technical roles with Mount Isa Mines, Glengarry Resources and the South Australian Government.

Mr Shearer is currently a Non-Executive Director of ASX listed Okapi Resources Limited (OKR), Investigator Resources Limited (IVR) and Resolution Minerals Limited (RML).

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

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 |
| | Aldoro Resources Limited | From November 2019 to present |
| | Okapi Resources Limited | From June 2020 to present |
| A N Shearer | Resolution Minerals Limited | From March 2017 to present |
| | Okapi Resources Limited | From July 2020 to present |
| | Investigator Resources Limited | From July 2020 to present |

PRINCIPAL ACTIVITIES

The principal activity of the Group is the advancement of the Great White Kaolin Project through the completion of detailed Feasibility Studies and a Mining Lease submission that will allow the Company to be in a position to make a decision to mine should the economic evaluation of the Project prove to be positive.

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 Great White Kaolin Project through final Feasibility Studies and Mining Lease submission to eventual development and production, should final economic 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 through wet-processing for sale of processed kaolin to ceramic manufactures in globally, possible downstream production of High Purity Alumina (HPA) product and halloysite nanotechnology opportunities, will be evaluated. Evaluation of the recently identified concrete additive application will also be undertaken. Directors see the market for quality halloysite-kaolin product and HPA to be growing rapidly, and that the Great White Kaolin 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, Camel Lake and Mount Hope 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 most of its portfolio of gold and copper projects in order to allow Andromeda Metals to focus on the advancement of the Great White Kaolin Project. To that end, joint ventures with Evolution Mining Limited over the Drummond Epithermal Gold Project, Cobra Resources PLAC over the Eyre Peninsula Gold Project and Environmental Metals Recovery Pty Ltd over the northern part of the Moonta Copper-Gold Project have been executed. In addition, the Company sold the Rover Copper-Gold Project to a

Directors' report

wholly owned subsidiary of Westgold Resources Limited during the financial year and is currently seeking interest from third parties for the Pilbara Gold 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 \$3,447,274 (2019: loss of \$1,113,181).

Exploration and evaluation expenditure for the year was \$3,175,536 (2019: \$1,237,102) with funds predominantly directed towards advancing the Great White Kaolin Project. Net operating cash outflows for the year totalled \$1,081,686 (2019: \$788,261). At the 30 June 2020 the Company held cash and cash equivalents totalling \$2,998,626 (2019: \$1,669,188).

On 25 October 2019 the Company raised \$3,997,199 before costs under a share placement to professional and sophisticated investors at an issue price of 4.7 cents per share which resulted in the issue of 85,046,790 ordinary shares.

During the year the Company raised \$1,072,978 through the issue of 89,414,679 listed options with an exercise price of \$0.012 and expiry date of 30 November 2020 and \$30,000 through the issue of 2,500,000 unlisted options with an issue price of \$0.012 and expiry date of 15 November 2021.

Exploration and evaluation activities

During the 2019/20 financial year Andromeda Metals' exploration and evaluation effort was directed principally towards advancing the Great White Kaolin Project which is the subject to a Joint Venture agreement entered into by the Company with Minotaur Exploration Limited (MEP). In addition, an initial drill program was performed at the Company's 100% owned Mount Hope Kaolin Project while progress was also made at a number of ADN's farmed-out projects by joint venture partners.

Great White Kaolin Project

In June 2018 the Company exercised its option to acquire up to a 75% equity interest in the world class Great White Kaolin Project in South Australia under a Joint Venture Agreement with Minotaur Exploration Limited (MEP). During the next twelve months the Company advanced the project through to completion of an extremely positive Scoping Study in September 2019. This was further improved in an updated Scoping Study completed in April 2020, and again by a Pre-Feasibility Study released in June 2020.

The Great White Kaolin Project includes the Great White and Hammerhead Resources, which are high quality halloysite-kaolin mineral that is highly valued by the ceramic industry for the manufacture of premium quality porcelain. Global demand for this mineral is increasing whilst global supply is reducing, which puts ADN in a strong position. The extremely high purity of the halloysite-kaolin also makes it an ideal feed material for the manufacture of 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. During 2018 and 2019 metallurgical process testing was carried out by independent chemical engineers, which proved that the Carey's Well mineral could be used to consistently produce 99.99% (4N) purity HPA with only one stage of purification. This proved that it offers significant opportunities for cost savings in the HPA manufacturing process, as well as the ability to produce higher value end product. Collaborative opportunities were considered during 2020 with one company being identified to progress further with. That has led to more metallurgical testing being done at Queensland University of Technology during 2020, which validated the process and increased the purity of the potential HPA product. Negotiations are now in progress regarding a commercial agreement.

The halloysite component of the mineral has a nanotube structure, which presents a large number of market opportunities in the nanotechnology sector. A number of commercial applications already exist for this extremely rare and high value product, and yet global supply is almost non-existent. Historic exploration on Great White Kaolin JV tenure has shown areas of high purity halloysite, and ADN carried out more exploration drilling in these areas during the last twelve months including the collection of a large-scale sample for future work. Collaborative work with the University of Newcastle's Global Innovative Centre for Nanotechnology (GICAN) on halloysite nanotubes (HNT) from the Great White Resource has progressed well over the last twelve months. This has operated under the ADN and MEP Intellectual Property JV company 'Natural Nanotech' that was formed in May 2019 to capture and progress any IP opportunities. Several applications for Federal funding have been made along with the University and other parties, and they are currently constructing a pilot plant to manufacture nanostructures from halloysite-kaolin to drive the opportunities to commercialisation. Current research projects making good progress include carbon capture/conversion to fuel, water purification, hydrogen transport and storage, medical, agricultural and the removal/recycling of microplastics from the ocean.

Directors' report

In December 2019 the Great White Resource was increased by approximately 80% in the Measured Category to give 26Mt that would yield 10.6Mt of minus 45 micron bright white halloysite-kaolin.

In July 2020 the Maiden Ore Reserve Estimate of 12.5Mt was announced for the Great White Resource, which supported the 26-year mine life reported in the Pre-Feasibility Study.

Further commercial scale processing trials and metallurgical studies were carried out on the October 2018 215 tonne bulk sample of halloysite kaolin ore from the Great White Resource over the last twelve months. This included extensive wet processing in Northern Ireland, Japan, China, the USA, the UK and Germany and was designed to enable Feasibility Study process design, as well as providing large scale product samples to be used for final approvals with potential customers to lock in binding offtake agreements. There are now approximately 10 tonnes of final product in Japan, which is being thoroughly evaluated before sampling to potential customers. Additional quantities will be available from China and Europe and are planned to be used for the same purposes.

Samples from the Great White and Hammerhead Resources are being tested in concrete and underground mine backfill applications, with early results showing very positive results. These opportunities will be progressed through to full-scale trials before the end of the year and may be incorporated into the Definitive Feasibility Study currently in progress.

Focus is now heavily directed towards completion of the Definitive Feasibility Study and the Mining Lease application process with site mining activities targeted for early 2022.

Camel Lake Halloysite-Kaolin Project

Numerous attempts were made to hold a meeting with the Camel Lake traditional owners, but the Covid Pandemic delayed the process considerably. A virtual meeting was held with the community leaders and their advisors in August 2020 and they agreed to move the heritage clearance process forward to enable some sampling to be made.

Mount Hope Kaolin Project

During August 2020 ADN announced a JORC Mineral Resource of 18Mt for the 100% owned Mount Hope tenements in South Australia. A significant amount of this material was analysed as being ultra-high purity kaolin with minimal halloysite content. This could potentially be used to produce a high value kaolin product for the coatings (paints and inks) sector, and

a large sample has been sent to the UK for application testing. Subsequently, some equivalent kaolin was identified in the Great White Resource and this was also submitted for the same testing regime. If these results are favourable it would open up another very large and high value global market for the project.

Drummond Epithermal Gold Project

In the September 2019 quarter, joint venture partner Evolution Mining completed a 10 hole diamond drilling program for a total of 4,568 metres at the Bunyip and South West Limey Prospects which had commenced during the latter part of the previous financial year. The best intercept achieved was 3.42g/t Au from 7 metres at Bunyip while narrow low grade intersections were returned at South West Limey.

Evolution undertook extensive geological mapping, ground magnetic surveys, soil sampling and an airborne hyperspectral survey at various locations across the project area during the financial year. An anomaly identified on vacant ground adjacent to EPM 25660 from the airborne hyperspectral survey was pegged on behalf of the joint venture ("Packhorse Creek") as a result.

Evolution completed its Stage 1 commitment of \$2.0 million under the Drummond Joint Venture and elected to proceed with Stage 2 under which it is required to spend an additional \$4.0 million over the next 2 years to acquire an 80% equity interest in the Project. Under the terms of the Agreement, the Company received a cash payment of \$200,000 from Evolution on its decision to proceed with Stage 2.

The impact of COVID-19 impacted field activities during the second half of the financial year. However, with restrictions recently partially relaxed by the Queensland Government, Evolution are now intending to recommence drilling activity at the Drummond Project with an RC drilling program planned for Roo Tail, located at the southern end of the South West Limey Prospect, to commence in the September 2020 quarter.

Moonta Copper-Gold Project

Steady progress was made by Moonta ISR joint venture partner Environmental Metals Recovery Pty Ltd during the financial year. An inferred Mineral Resource Estimate of 66.1 million tonnes grading 0.17% Cu, containing 114,000 tonnes of contained copper at a cut-off grade of 0.05% Cu was estimated incorporating historical drilling results from a number of copper prospects across the joint venture area of interest that are considered favourable for ISR application.

Directors' report

Testwork on composite samples sourced from the Bruce, Larwood and Wombat prospects was performed that included mineral characterisation by XRD and QEM scan along with bottle roll leach tests which examined recoveries using a number of different lixiviant/oxidant combinations, along with studies of hydrogeological information, was undertaken by EMR during the year, with positive results achieved.

Eyre Peninsula Gold Project

Joint venture partner Cobra Resources PLC undertook a series of geochemical sampling programs in the second half of the financial year over a number of targets across the Eyre Peninsula Gold Project area with the aim of improving the definition of gold targets prior to drilling through the establishment of pathfinder relationships across a broad range of 49 chemical elements. Results of this work has identified a unique and distinctive chemical footprint for gold mineralisation at the Barns, White Tank and Baggy Green deposits and other prospects at the Project.

Subsequent to the end of the financial year, in September 2020 Cobra commenced a substantial RC drilling program at a number of these targeted areas utilising the results from the geochemical sampling program and previous drilling results achieved by ADN and others that will see Cobra earn an initial 50% equity interest in the Project.

Pilbara Gold Project

During the year the Company made application for a fourth tenement (E46/1196 "Rooneys") in the Pilbara region to add to the three tenements that have already been granted that comprise the Pilbara Gold Project. A native title heritage agreement with the respective indigenous group at Rooneys was currently still being negotiated at year end prior to the tenement being granted.

Andromeda is considering how best to move the project forward, including seeking interest from potential third parties to acquire the Pilbara Project, given the focus of the Company is now directed towards industrial minerals rather than gold exploration.

Rover Copper-Gold Project

On 2 August 2019 the Company executed a binding Sale and Purchase Agreement for the sale of the Rover Copper Gold Project to Castile Resources Pty Ltd, a wholly owned subsidiary of Westgold Resources Limited, for a total cash consideration of \$650,000. These funds were received on 3 September 2019 in addition to the return of a \$50,000 bank guarantee held by the Central Land Council on behalf of the Rover Project.

Outlook and Future Developments

The focus of the Company will predominantly be directed towards further advancing the Great White Kaolin Project. Key steps include:

- Completion of the Definitive Feasibility Study;
- Preparation and submission of a Mining Lease application for the Great White Deposit during the first quarter of 2021;
- Exploration and evaluation of other prospects in the Poochera district;
- Exploration and evaluation of the Mount Hope Deposit;
- Initiate exploration activities at the Camel Lake Prospect;
- Evaluate concrete additive application for Great White and Hammerhead material;
- Decide upon a logistics solution for transportation of ore from site to market;
- Lock in binding offtake agreements to support decision to mine;
- Progress halloysite nanotechnology opportunities through the halloysite research joint venture with Minotaur Exploration.

In addition, the Company will:

- Evaluate opportunities for the Company in HPA;
- Determine how best to move forward with the Pilbara Gold Project.

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.

COVID-19

The outbreak of the 2019 novel strain of coronavirus causing a contagious respiratory disease known as COVID-19, and the subsequent quarantine measures imposed by the Australian and other governments, and related travel and trade restrictions have caused disruption to businesses and resulted in significant global economic impacts. As at 30 June 2020, these impacts have not had a significant effect on the

Directors' report

Group's financial results or operations. However, as the impact of COVID-19 continues to evolve, including changes in government policy and business reactions thereto, if our staff are unable to work or travel due to illness or government restrictions, we may be forced to reduce or suspend our exploration and development activities. In addition, as the COVID-19 pandemic and mitigation measures have also negatively impacted global economic conditions, this, in turn, could adversely affect our business in the future. Due to the continually evolving nature of COVID-19 the Directors cannot reasonably estimate the effects that the COVID-19 pandemic could have on future periods, and believe that any disturbance may be temporary. However, there is uncertainty about the length and potential impact of any resultant disturbance. As a result, we are unable to estimate the potential impact on the Group's future operations as at the date of these Financial Statements.

During the year ended 30 June 2020 the group received Job Keeper and Covid cash boost government assistance of \$36,000 and \$62,500 respectively which have been recognised as other income.

SUBSEQUENT EVENTS

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 Western Australia. 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, Western Australia, 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 2020 was:

| | MEETINGS HELD WHILE IN OFFICE | MEETINGS ATTENDED |
|--------------|-------------------------------|-------------------|
| R G J Grivas | 11 | 11 |
| J E Marsh | 11 | 11 |
| N J Harding | 11 | 11 |
| J F Ranford | 2 | 2 |
| A N Shearer | 11 | 11 |

The Company held two meetings of the Audit and Risk Committee during the year ended 30 June 2020. 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 2020. 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 20 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 20 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.

Directors' report

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 | 449,045,754 | Ordinary | \$0.012 | 30 November 2020 |
| Andromeda Metals Limited | 17,500,000 | Ordinary | \$0.012 | 15 November 2021 |
| Andromeda Metals Limited | 59,000,000 | Ordinary | \$0.064 | 28 November 2022 |
| Andromeda Metals Limited | 20,000,000 | Ordinary | \$0.075 | 28 November 2023 |

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 | 258,042,409 | Ordinary | \$0.012 | \$nil |

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 33 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 | 5,199,055 | 21,745,159 |
| J E Marsh | 2,500,000 | 32,000,000 |
| N J Harding | 6,600,991 | 23,500,000 |
| J F Ranford | - | - |
| A N Shearer | 5,361,024 | 17,399,998 |
| E J Whittaker | - | - |
| | 19,661,070 | 94,645,157 |

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

Remuneration report

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) |
| J E Marsh | (Managing Director) |
| N J Harding | (Executive Director and Company Secretary) |
| J F Ranford | (Operations Director) – appointed Non-Executive Director on 8 April 2020 and subsequently Operations Director on 1 June 2020 |
| A N Shearer | (Non-Executive Director) |
| E J Whittaker | (Chief Geologist) – appointed 17 February 2020 |

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 2020:

| | 30 JUNE 2020 | 30 JUNE 2019 | 30 JUNE 2018 | 30 JUNE 2017 | 30 JUNE 2016 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Other Income | 767,419 | 18,960 | 5,815 | 4,989 | 15,443 |
| Net profit / (loss) before tax | (3,365,301) | (1,041,044) | (683,544) | (6,847,987) | (3,882,933) |
| Net profit / (loss) after tax | (3,447,274) | (1,113,181) | (832,707) | (6,908,847) | (3,940,324) |

| | 30 JUNE 2020 | 30 JUNE 2019 | 30 JUNE 2018 | 30 JUNE 2017 | 30 JUNE 2016 |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Share price at beginning of the year | \$0.015 | \$0.007 | \$0.006 | \$0.02 | \$0.02 |
| Share price at end of year | \$0.051 | \$0.015 | \$0.007 | \$0.006 | \$0.02 |
| Basic earnings per share | \$(0.0024) | \$(0.0010) | \$(0.0012) | \$(0.0174) | \$(0.0117) |
| Diluted earnings per share | \$(0.0024) | \$(0.0010) | \$(0.0012) | \$(0.0174) | \$(0.0117) |

No dividends have been declared during the five years ended 30 June 2020 and the directors do not recommend the payment of a dividend in respect of the year ended 30 June 2020.

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;
- 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 report

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 2020 (2019: 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 \$65,000 (2019: \$50,000) per annum excluding statutory superannuation. In addition, consulting fees paid during the year to the Non-Executive Chairman were \$3,600 (2019: \$25,200). The Non-Executive Director is entitled to receive \$45,000 (2019: \$35,000) 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.

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 and a service agreement with an entity associated with J F Ranford, details of which are set out below.

Remuneration report

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.

| 2020 | SHORT-TERM EMPLOYEE BENEFITS SALARY & FEES ⁽ⁱ⁾ (\$) | POST EMPLOYMENT SUPERANNUATION (\$) | ANNUAL & LONG SERVICE LEAVE (\$) | CASH BONUS ⁽ⁱⁱ⁾ (\$) | SUB TOTAL (\$) | SHARE BASED PAYMENTS ⁽ⁱⁱ⁾ (\$) | TOTAL (\$) |
|---------------|---|--|--|------------------------------------|-------------------|---|---------------|
| R G J Grivas | 62,350 | 7,750 | - | 22,831 | 92,931 | 336,339 | 429,270 |
| J E Marsh | 238,946 | 27,038 | 26,322 | 45,662 | 337,968 | 617,143 | 955,111 |
| N J Harding | 249,550 | - | - | 50,000 | 299,550 | 476,741 | 776,291 |
| J F Ranford | 32,500 | - | - | - | 32,500 | - | 32,500 |
| A N Shearer | 42,292 | 6,048 | - | 22,831 | 71,171 | 336,339 | 407,510 |
| E J Whittaker | 67,500 | 6,413 | 5,685 | - | 79,598 | - | 79,598 |
| 2020 Total | 693,138 | 47,249 | 32,007 | 141,324 | 913,718 | 1,766,562 | 2,680,280 |

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.

iii) A discretionary cash bonus payment was paid to Executive Directors J E Marsh of \$50,000 inclusive of superannuation and N J Harding of \$50,000 (exclusive of superannuation) and to Non-Executive Directors R G J Grivas and A N Shearer of \$25,000 inclusive of superannuation each on 16 March 2020 to link reward with the strategic goals and performance of the Company. No other bonuses were granted during the financial year.

| 2020 | SHORT-TERM EMPLOYEE BENEFITS SALARY & FEES ⁽ⁱ⁾ (\$) | POST EMPLOYMENT SUPERANNUATION (\$) | ANNUAL & LONG SERVICE LEAVE (\$) | CASH BONUS ⁽ⁱⁱ⁾ (\$) | SUB TOTAL (\$) | SHARE BASED PAYMENTS ⁽ⁱⁱ⁾ (\$) | TOTAL (\$) |
|--------------|---|--|--|------------------------------------|-------------------|---|---------------|
| R G J Grivas | 75,200 | 4,750 | - | - | 79,950 | - | 79,950 |
| J E Marsh | 182,649 | 20,822 | 21,057 | 36,529 | 261,057 | 63,256 | 324,313 |
| N J Harding | 187,600 | - | - | - | 187,600 | 36,821 | 224,421 |
| A N Shearer | 35,000 | 3,325 | - | - | 38,325 | - | 38,325 |
| 2019 Total | 480,449 | 28,897 | 21,057 | 36,529 | 566,932 | 100,077 | 667,009 |

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.

iii) James Marsh was paid an additional one-off cash payment of \$40,000 inclusive of superannuation on 5 December 2018 following 6 months employment as was agreed in his employment contract. No other bonuses were granted during the financial year.

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

Remuneration report

Service agreements

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

2020

| KEY MANAGEMENT PERSONNEL | TERMS |
|--------------------------|--|
| N J Harding | Daily rate of \$920 |
| J F Ranford | Monthly rate of \$20,000 for 3 days per week |
| R G J Grivas | Daily rate of \$900 per day as required |

2019

| KEY MANAGEMENT PERSONNEL | TERMS |
|--------------------------|---|
| N J Harding | Daily rate of \$800 |
| R G J Grivas | Daily rate of \$900 per day as required |

On 19 December 2019 the Group entered into a new service agreement with an entity associated with N J Harding with no fixed term. The Group or the entity associated with N J Harding may terminate the agreement by giving three months notice respectively.

On 1 June 2020 the Group entered into a service agreement with an entity associated with J F Ranford with no fixed term. The Group or the entity associated with J F Ranford may terminate the agreement by giving three months notice respectively.

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 \$3,600 (2019: \$25,200) was paid under this agreement during the year.

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 members 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.

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 were issued to the former Managing Director.

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 were issued to the Executive Director on 24 June 2020.

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.

Remuneration report

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 were issued to the former Managing Director.

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 were issued to the Executive Director on 24 June 2020.

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 were issued to the former Managing Director.

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.

As at 31 December 2018 the Board determined that all of the KPIs were met resulting in 1,800,000 shares becoming unrestricted. On payment of \$0.006 per share the unrestricted shares were issued to the Executive Director on 24 June 2020.

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.

Remuneration report

Equity holdings of key management personnel as at 30 June 2020

Fully paid ordinary shares issued by Andromeda Metals Limited

| | BALANCE 01/07/19 | ISSUED AS PART PAYMENT OF DIRECTOR FEES | EXERCISE OF OPTIONS | TRANSFERRED FROM THE LFESP(i) | BALANCE 30/06/20 |
|---------------|---------------------|--|---------------------|----------------------------------|---------------------|
| R G J Grivas | 2,699,055 | - | 2,500,000 | - | 5,199,055 |
| J E Marsh | - | - | 2,500,000 | - | 2,500,000 |
| N J Harding | 2,171,993 | - | 723,998 | 3,705,000 | 6,600,991 |
| J F Ranford | - | - | - | - | - |
| A N Shearer | 2,361,673 | 402,576 | 2,596,775 | - | 5,361,024 |
| E J Whittaker | - | - | - | - | - |

i) Issued to N J Harding on payout of company loan under the LPESP of \$29,850

Listed options issued by Andromeda Metals Limited

| | BALANCE 01/07/19 | GRANTED | EXERCISED | LAPSED | BALANCE 30/06/20 | VESTED AND EXERCISABLE |
|---------------|---------------------|---------|-----------|--------|---------------------|---------------------------|
| R G J Grivas | 12,745,159 | - | 2,500,000 | - | 10,245,159 | See Note 16 for details |
| J E Marsh | - | - | - | - | - | See Note 16 for details |
| N J Harding | 723,998 | - | 723,998 | - | - | See Note 16 for details |
| J F Ranford | - | - | - | - | - | See Note 16 for details |
| A N Shearer | 8,496,773 | - | 2,596,775 | - | 5,899,998 | See Note 16 for details |
| E J Whittaker | - | - | - | - | - | See Note 16 for details |

Unlisted options issued by Andromeda Metals Limited

| | BALANCE 01/07/19 | GRANTED | EXERCISED | LAPSED | BALANCE 30/06/20 | VESTED AND EXERCISABLE |
|---------------|---------------------|------------|-----------|--------|---------------------|---------------------------|
| R G J Grivas | - | 11,500,000 | - | - | 11,500,000 | See Note 16 for details |
| J E Marsh | 13,000,000 | 21,500,000 | 2,500,000 | - | 32,000,000 | See Note 16 for details |
| N J Harding | 7,000,000 | 16,500,000 | - | - | 23,500,000 | See Note 16 for details |
| J F Ranford | - | - | - | - | - | See Note 16 for details |
| A N Shearer | - | 11,500,000 | - | - | 11,500,000 | See Note 16 for details |
| E J Whittaker | - | - | - | - | - | See Note 16 for details |

Shares held by the trustee of the LFESP

| | BALANCE 01/07/19 | GRANTED | EXERCISED | FORFEITED/ CANCELLED | BALANCE 30/06/20 | VESTED AND EXERCISABLE |
|-------------|---------------------|---------|-----------|-------------------------|---------------------|---------------------------|
| N J Harding | 3,705,000 | - | 3,705,000 | - | - | See Note 18 for details |

Signed in Adelaide this 30th day of September 2020 in accordance with a resolution of the Directors.



J E Marsh
Managing Director



A N Shearer
Non-Executive Director

Auditors independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Brookfield Place, Tower 2
123 St Georges Terrace
Perth, WA, 6000
Australia

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www.deloitte.com.au

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

30 September 2020

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 2020, 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



David Newman
Partner
Chartered Accountants

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

| | NOTE | YEAR ENDED 30/06/20 \$ | YEAR ENDED 30/06/19 \$ |
|--|------|------------------------------|------------------------------|
| Other income | 4 | 767,419 | 18,960 |
| Impairment of exploration expenditure | 8 | (399,942) | (135,484) |
| Administration expenses | | (459,365) | (308,535) |
| Corporate consulting expenses | | (380,991) | (201,403) |
| Company promotion | | (81,956) | (62,426) |
| Salaries and wages | | (144,811) | (105,617) |
| Directors fees | | (157,745) | (85,000) |
| Occupancy expenses | | (40,600) | (61,200) |
| Share based payments | | (2,467,310) | (100,339) |
| Loss before income tax | 4 | (3,365,301) | (1,041,044) |
| Tax expense | 5 | (81,973) | (72,137) |
| Loss for the year | | (3,447,274) | (1,113,181) |
| Other comprehensive income, net of income tax | | - | - |
| Total comprehensive income for the year | | (3,447,274) | (1,113,181) |
| Earnings per share | | | |
| Basic (cents per share) – (Loss) | 26 | (0.24) | (0.10) |
| Diluted (cents per share) – (Loss) | 26 | (0.24) | (0.10) |

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 2020

| | NOTE | 30/06/20 \$ | 30/06/19 \$ |
|--|------|-------------------|------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 2,998,626 | 1,669,188 |
| Trade and other receivables | 6 | 84,997 | 117,538 |
| TOTAL CURRENT ASSETS | | 3,083,623 | 1,786,726 |
| NON-CURRENT ASSETS | | | |
| Exploration and evaluation expenditure | 8 | 9,218,491 | 6,442,897 |
| Plant and equipment | 9 | 150,547 | 11,899 |
| Other financial assets | 7 | 74,500 | 124,966 |
| Investment in joint venture | 10 | 157,964 | - |
| TOTAL NON-CURRENT ASSETS | | 9,601,502 | 6,579,762 |
| TOTAL ASSETS | | 12,685,125 | 8,366,488 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 626,274 | 455,997 |
| Lease liabilities - current | 13 | 70,851 | - |
| Other liabilities | 12 | 12,178 | 468 |
| TOTAL CURRENT LIABILITIES | | 709,303 | 456,465 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 14 | 26,632 | 21,000 |
| Lease liabilities - non-current | 13 | 43,024 | - |
| Other liabilities | 15 | 975,517 | 975,517 |
| TOTAL NON-CURRENT LIABILITIES | | 1,045,173 | 996,517 |
| TOTAL LIABILITIES | | 1,754,476 | 1,452,982 |
| NET ASSETS | | 10,930,649 | 6,913,506 |
| EQUITY | | | |
| Issued capital | 16 | 47,826,518 | 42,756,559 |
| Reserves | 17 | 2,939,738 | 562,719 |
| Accumulated losses | | (39,835,607) | (36,405,772) |
| TOTAL EQUITY | | 10,930,649 | 6,913,506 |

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 2020

| | ISSUED CAPITAL | SHARE OPTION RESERVE | EMPLOYEE EQUITY-SETTLED BENEFITS RESERVE | ACCUMULATED LOSSES | TOTAL |
|---|-------------------|-------------------------|--|-----------------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2018 | 40,025,378 | 378,206 | 54,173 | (35,292,591) | 5,165,166 |
| Loss attributable to the year | - | - | - | (1,113,181) | (1,113,181) |
| Total comprehensive income for the year | - | - | - | (1,113,181) | (1,113,181) |
| Issue of share capital through a placement at 0.6 cents | 1,100,000 | - | - | - | 1,100,000 |
| Issue of share capital through a rights issue at 0.65 cents | 1,762,000 | - | - | - | 1,762,000 |
| Costs associated with the issue of shares | (240,456) | 30,001 | - | - | (210,455) |
| Related income tax | 72,137 | - | - | - | 72,137 |
| Fair value of options issued to directors | - | 97,317 | - | - | 97,317 |
| Issue of shares as part payment of director fees | 37,500 | - | - | - | 37,500 |
| Share based payment expense related to shares issued to employees under the loan funded employee share plan | - | - | 3,022 | - | 3,022 |
| Balance at 30 June 2019 | 42,756,559 | 505,524 | 57,195 | (36,405,772) | 6,913,506 |
| Loss attributable to the year | - | - | - | (3,447,274) | (3,447,274) |
| Total comprehensive income for the year | - | - | - | (3,447,274) | (3,447,274) |
| Issue of share capital through a placement at 4.7 cents | 3,997,199 | - | - | - | 3,997,199 |
| Costs associated with the issue of shares | (273,243) | - | - | - | (273,243) |
| Related income tax | 81,973 | - | - | - | 81,973 |
| Issue of shares as part payment of director fees | 17,500 | - | - | - | 17,500 |
| Shares issued on the exercise of listed options | 1,093,910 | (20,932) | - | - | 1,072,978 |
| Shares issued on the exercise of unlisted options | 42,165 | (12,165) | - | - | 30,000 |
| Shares issued from treasury stock | 110,455 | - | (39,756) | - | 70,699 |
| Fair value change of options issued | - | - | - | - | - |
| Fair value of options issued to directors and employees | - | 2,467,311 | - | - | 2,467,311 |
| Forfeiture of shares issued to employees under the Loan Funded Employee Share Plan | - | - | (17,439) | 17,439 | - |
| Balance at 30 June 2020 | 47,826,518 | 2,939,738 | - | (39,835,607) | 10,930,649 |

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 2020

| | INFLOWS/(OUTFLOWS) | |
|--|--------------------|--------------------|
| | 30/06/20 \$ | 30/06/19 \$ |
| Cash flows relating to operating activities | | |
| Receipts from government grants | 74,000 | - |
| Payments to suppliers and employees | (1,155,686) | (788,261) |
| Net operating cash flows (Note (a)) | (1,081,686) | (788,261) |
| Cash flows relating to investing activities | | |
| Interest received | 27,221 | 9,704 |
| Refund of bank guarantee | 50,000 | - |
| Payment of environmental bonds | - | (16,500) |
| Payment for investment in associate | (157,964) | - |
| Payments for exploration and evaluation expenditure | (3,191,085) | (1,342,864) |
| Payment received from joint venture partner | 200,000 | 300,000 |
| Proceeds from the sale of assets (Note 4) | 650,000 | - |
| Payments for plant and equipment | (34,681) | (5,647) |
| Net investing cash flows | (2,456,509) | (1,055,307) |
| Cash flows relating to financing activities | | |
| Proceeds from share and equity options issued | 5,170,876 | 2,862,000 |
| Lease payments | (28,565) | - |
| Interest paid | (1,435) | - |
| Payments for capital raising costs | (273,243) | (210,455) |
| Net financing cash flows | 4,867,633 | 2,651,545 |
| Net increase in cash and cash equivalents | 1,329,438 | 807,977 |
| Cash at beginning of financial year | 1,669,188 | 861,211 |
| Cash and cash equivalents at end of financial year | 2,998,626 | 1,669,188 |
| <i>Note (a): Reconciliation of loss for the period to net cash flow from operating activities.</i> | | |
| Loss for the period | (3,447,274) | (1,113,181) |
| Interest revenue | (18,919) | (18,473) |
| Share based remuneration | 2,467,310 | 100,339 |
| Director fees paid in shares | 17,500 | 37,500 |
| Depreciation | 37,857 | 3,873 |
| Interest expense | 1,435 | - |
| Sale of Rover Project | (650,000) | - |
| Exploration written off or impaired | 399,942 | 135,484 |
| Share issue costs | 81,973 | 72,137 |
| (Increase) decrease in receivables | 13,002 | (52,222) |
| Increase/(decrease) in payables | (1,854) | 41,538 |
| Increase/(decrease) in provisions | 17,342 | 4,744 |
| Net operating cash flows | (1,081,686) | (788,261) |

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 2020

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 and 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. New and revised standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 16 *Leases*
- *Interpretation 23 Uncertainty over Income Tax Treatments*
- AASB 2017-7 *Amendments – Long-term Interests in Associates and Joint Venture Amendments to IAS 28 and Illustrative Example – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments – Annual Improvements 2015-2017 Cycle*

The adoption of the aforementioned standards have resulted in no impact on the financial statements of the Group for the financial year ended 30 June 2020. A discussion on the adoption of AASB 16 is included below.

Impact of initial application of AASB 16 Leases

In the current year, the Group has applied AASB 16 that is effective for annual periods that begin on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 1. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The date of initial application of AASB 16 for the Group is 1 January 2019.

The Group has chosen the modified retrospective application of AASB 16 in accordance with AASB 16:C8(a). Consequently, the Group will not restate the comparative information.

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition of AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on lessee accounting

Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'occupancy expenses' in profit or loss.

Financial impact of the initial application of AASB 16

The impact on profit or loss for the current year as a result of the application of AASB 16 is detailed in Note 9. The impact on right-of-use assets on adoption is disclosed in note 9.

The application of AASB 16 has an impact on the consolidated statement of cash flows of the Group.

Under AASB 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities.
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by AASB 107 (the Group has opted to include interest paid as part of financing activities).
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Under AASB 117, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by \$30,000, being the lease payments, and net cash used in financing activities has increased by the same amount.

Standards and Interpretations on issue but not yet effective

| STANDARD/INTERPRETATION | APPLICATION DATE OF STANDARD | APPLICATION DATE FOR GROUP |
|---|------------------------------|----------------------------|
| AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business | 1 January 2020 | 1 July 2020 |
| AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material | 1 January 2020 | 1 July 2020 |
| Conceptual Framework | 1 January 2020 | 1 July 2020 |
| 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework | 1 January 2020 | 1 July 2020 |

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2020. Those which may be relevant to the Group are set out in the table below, but these are not expected to have any significant impact on the Group's financial statements:

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 30th September 2020.

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.

Certain comparative financial information in the statement of profit or loss and other comprehensive income has been reclassified to ensure consistency with current year presentation. This reclassification does not affect reported profit or loss or other comprehensive income for the year ended 30 June 2019.

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 whether 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 considering the recoverability of capitalised exploration and evaluation expenditure.

Going concern

The financial statements have been prepared on the going concern basis, which assumes the continuity of normal business activities, and that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business.

For the year ended 30 June 2020 the Group incurred a net loss of \$3,447,274 (30 June 2019: \$1,113,181), and experienced net cash outflows from operating and investing activities of \$3,538,195 (30 June 2019: \$1,843,568). At 30 June 2020, the Group has cash reserves of \$2,998,626 (30 June 2019: \$1,669,118).

The directors have prepared a cash flow forecast for the period ending 30 September 2021 which indicates that the Group will have sufficient funding to meet all expected cash outflows, including its currently envisaged exploration activities. The ability of the Group to continue as a going concern is dependent on:

- receiving minimum proceeds of approximately \$3,700,000 associated with the exercise of share options prior to expiry on 30 November 2020, which is in addition to approximately \$1,410,000 that has been received from the exercise of share options between 1 July 2020 and 31 August 2020; and
- managing and deferring costs where applicable to coincide with the funding received outlined above to ensure all obligations can be met.

The directors are satisfied that they will achieve the matters set out above and therefore the going concern basis of preparation is appropriate. However, should the minimum proceeds expected to be received from the exercise of share options not be met, additional funding would be required, or the Group would be required to reduce its currently envisaged exploration program.

Should the Group be unable to achieve the matters above, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business.

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 as a going concern.

COVID-19

The outbreak of the 2019 novel strain of coronavirus causing a contagious respiratory disease known as COVID-19, and the subsequent quarantine measures imposed by the Australian and other governments, and related travel and trade restrictions have caused disruption to businesses and resulted in significant global economic impacts. As at 30 June 2020, these impacts have not had a significant effect on the Group's financial results or operations. However, as the impact of COVID-19 continues to evolve, including changes in government policy and business reactions thereto, if our staff are unable to work or travel due to illness or government restrictions, we may be forced to reduce or suspend our exploration and development activities. In addition, as the COVID-19 pandemic and mitigation measures have also negatively impacted global economic conditions, this, in turn, could adversely affect our business in the future. Due to the continually evolving nature of COVID-19 the Directors cannot reasonably estimate the effects that the COVID-19 pandemic could have on future periods, and believes that any disturbance may be temporary. However, there is uncertainty about the length and potential impact of any resultant disturbance. As a result, we are unable to estimate the potential impact on the Group's future operations as at the date of these Financial Statements.

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.

Farm-outs – exploration and evaluation phase

The consolidated entity accounts for the treatment of farm-out arrangements under AASB 6 Evaluation of Mineral Resources under these arrangements:

- the farmor will not capitalise any expenditure settled by the farmee;

- any proceeds received that are not attributable to future expenditure are initially credited against the carrying amount of any existing exploration and evaluation asset; and
- to the extent that the proceeds received from the farmee exceed the carrying amount of any exploration and evaluation asset that has already been capitalised by the farmor, this excess is recognised as a gain in profit or loss.

d) Financial assets

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Classification of financial assets Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
 - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:
 - the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Amortised cost and effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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) Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5.

Under the equity method, an investment in a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

The Group applies AASB 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee.

Furthermore, in applying AASB 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with AASB 128).

i) Joint arrangements

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.

**j) 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.

k) 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

l) 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.

m) Interest income

Interest income 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.

n) 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.

o) Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

p) 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 statement of financial position and recognised in profit or loss 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.

Other grants related to cost reimbursements are recognised as other income in profit or loss in the period when the costs were incurred or when the incentive meets the recognition requirements (if later).

q) 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 30/06/20 \$ | YEAR ENDED 30/06/19 \$ |
|----------------------------------|------------------------------|------------------------------|
| Other income | | |
| Interest income on bank deposits | 18,919 | 18,474 |
| Profit on sale of assets (i) | 650,000 | - |
| Realised foreign exchange gain | - | 39 |
| Other (ii) | 98,500 | 447 |
| | <u>767,419</u> | <u>18,960</u> |

i) Profit on the sale of assets related to the disposal of the Rover Copper Gold Project

ii) Relates to government assistance in the form of Job Keeper received starting from March 2020 and expected until December 2020; Covid cash bonus received starting from March 2020 and expected until September 2020.

Other expenses

Employee benefit expense:

Post employment benefits:

| | | |
|--|--------|--------|
| Accumulated benefit superannuation plans | 77,293 | 47,831 |
|--|--------|--------|

Share based payments:

| | | |
|---|-----------|---------|
| Equity settled share-based payments (shares issued under the LFESP) (i) | 2,039,075 | 100,339 |
|---|-----------|---------|

| | | |
|-------------------------|-----------|---------|
| Other employee benefits | 1,187,364 | 719,809 |
|-------------------------|-----------|---------|

| | | |
|--|------------------|----------------|
| | <u>3,303,732</u> | <u>867,979</u> |
|--|------------------|----------------|

| | | |
|--|-----------|-----------|
| Less amounts capitalised in exploration and evaluation expenditure | (712,862) | (401,729) |
|--|-----------|-----------|

| | | |
|--|------------------|----------------|
| | <u>2,590,870</u> | <u>466,250</u> |
|--|------------------|----------------|

| | | |
|-------------------------------------|--------|-------|
| Depreciation of plant and equipment | 37,857 | 3,873 |
|-------------------------------------|--------|-------|

| | | |
|---------------------------------|--------|--------|
| Operating lease rental expenses | 40,600 | 61,200 |
|---------------------------------|--------|--------|

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

| | YEAR ENDED 30/06/20 \$ | YEAR ENDED 30/06/19 \$ |
|--|------------------------------|------------------------------|
|--|------------------------------|------------------------------|

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:

| | | |
|--|---------------|---------------|
| Loss from continuing operations | (3,365,301) | (1,041,044) |
| Income tax income calculated at 30% | (1,009,590) | (312,313) |
| Share based payments | 740,193 | 30,102 |
| Other | (49,821) | 37,807 |
| Deferred tax assets not brought to account | 401,191 | 316,541 |
| Tax expense | <u>81,973</u> | <u>72,137</u> |

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:

| | | |
|---|--------------------|--------------------|
| Trade and other receivables | (7,531) | (2,514) |
| Exploration and evaluation expenditure | (2,764,830) | (1,973,830) |
| Capital raising costs | 265,002 | 183,029 |
| Trade and other payables | 61,345 | 24,974 |
| Employee benefits | 11,643 | 6,440 |
| Other liabilities | 33,450 | 33,450 |
| | <u>(2,400,903)</u> | <u>(1,728,451)</u> |
| Tax value of losses carried forward | 2,400,903 | 1,728,451 |
| Net deferred tax assets / (liabilities) | <u>-</u> | <u>-</u> |

c) Unrecognised deferred tax assets

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

| | | |
|--------------------|-------------------|-------------------|
| Tax losses-revenue | <u>11,363,598</u> | <u>10,962,407</u> |
|--------------------|-------------------|-------------------|

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

| | | |
|----------------------|----------|----------|
| Opening balance | - | - |
| Recognised in equity | 81,973 | 72,137 |
| Recognised in income | (81,973) | (72,137) |
| Closing balance | <u>-</u> | <u>-</u> |

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

| | 30/06/20 | 30/06/19 |
|---------------------|----------|----------|
| | \$ | \$ |
| Interest receivable | 543 | 8,378 |
| Other receivables | 84,454 | 109,160 |
| | 84,997 | 117,538 |

7 OTHER NON-CURRENT FINANCIAL ASSETS

| | 30/06/20 | 30/06/19 |
|------------------------|----------|----------|
| | \$ | \$ |
| Deposits (Note 23 (c)) | 42,500 | 92,966 |
| Environmental bonds | 32,000 | 32,000 |
| | 74,500 | 124,966 |

8 EXPLORATION AND EVALUATION EXPENDITURE

| | 30/06/20 | 30/06/19 |
|--|-----------|-----------|
| | \$ | \$ |
| Costs brought forward | 6,442,897 | 5,341,279 |
| Expenditure incurred during the year | 3,175,536 | 1,237,102 |
| | 9,618,433 | 6,578,381 |
| Impairment of exploration and evaluation expenditure | | |
| Expenditure impaired (i) | (384,009) | - |
| Expenditure written off (ii) | (15,933) | (135,484) |
| | 399,942 | (135,484) |
| | 9,218,491 | 6,442,897 |

i) *Impairment*

Impairment of specific exploration and evaluation assets during the year have occurred where Directors have concluded that capitalised expenditure is unlikely to be recovered by sale or future exploitation. At each reporting date the group undertakes an assessment of the carrying amount of its exploration and evaluation assets. During the year indicators of impairment were identified on certain exploration and evaluation assets in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources. As a result of this review, an impairment loss of \$384,009 (2019: nil) has been recognised in relation to areas of interest where the Directors have concluded that no further work will be completed, and consequently the capitalised expenditure is unlikely to be recovered by sale or future exploitation.

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

iii) *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

| | PLANT & EQUIPMENT | MOTOR VEHICLES | FURNITURE & FITTINGS | OFFICE & IT EQUIPMENT | RIGHT OF USE ASSETS | TOTAL |
|---|-------------------|----------------|----------------------|-----------------------|---------------------|-----------|
| 2019/20 | | | | | | |
| Gross carrying amount | | | | | | |
| Opening balance | 84,313 | 3,736 | 45,007 | 201,840 | - | 334,896 |
| Recognition upon first time adoption of AASB 16 | - | - | - | - | 142,439 | 142,439 |
| Additions | 5,740 | - | 295 | 28,030 | - | 34,065 |
| Disposals and write-offs | (64,338) | - | - | (60,625) | - | (124,963) |
| Balance 30 June 2020 | 25,715 | 3,736 | 45,302 | 169,245 | 142,439 | 386,437 |
| Accumulated depreciation | | | | | | |
| Opening balance | (83,720) | (3,736) | (45,008) | (190,533) | - | (322,997) |
| Depreciation | (858) | - | (31) | (7,293) | (29,675) | (37,857) |
| Disposals and write-offs | 64,338 | - | - | 60,626 | - | 124,964 |
| Balance 30 June 2020 | (20,240) | (3,736) | (45,039) | (137,200) | (29,675) | (235,890) |
| Net book value 30 June 2020 | 5,475 | - | 263 | 32,045 | 112,764 | 150,547 |
| 2018/19 | | | | | | |
| Gross carrying amount | | | | | | |
| Opening balance | 83,683 | 3,736 | 45,007 | 194,448 | - | 326,874 |
| Additions | 630 | - | - | 7,392 | - | 8,022 |
| Balance 30 June 2019 | 84,313 | 3,736 | 45,007 | 201,840 | - | 334,896 |
| Accumulated depreciation | | | | | | |
| Opening balance | (83,683) | (3,736) | (45,007) | (186,698) | - | (319,124) |
| Depreciation | (37) | - | - | (3,836) | - | (3,873) |
| Balance 30 June 2019 | (83,720) | (3,736) | (45,007) | (190,534) | - | (322,997) |
| Net book value 30 June 2019 | 593 | - | - | 11,306 | - | 11,899 |

The Group only has one lease which is for the office premises. The average lease term is 2 years.

Amount recognised in profit or loss

| | 30/06/20 \$ |
|---|----------------|
| Depreciation expense on right-to-use assets | 29,675 |
| Interest expense on lease liabilities | 1,435 |
| Expense relating to short term leases | 40,600 |

The total cash outflow for leases amounts to \$30,000.

10 INVESTMENT IN JOINT VENTURE

| | 30/06/20 \$ | |
|---------------------------------|----------------|---|
| Investment in joint venture (i) | 157,964 | - |

i) Relates to investment in Natural Nanotech Pty Ltd. As at 30 June 2020 ADN has joint control by virtue of have one of two board positions. ADN will acquire a 50% equity interest in Natural Nanotech in the first half of financial year 2020/21.

11 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

| | 30/06/20 | 30/06/19 |
|-----------------------------|----------|----------|
| | \$ | \$ |
| Trade payables and accruals | 626,274 | 455,997 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

12 CURRENT LIABILITIES – OTHER

| | 30/06/20 | 30/06/19 |
|--------------------------------------|----------|----------|
| | \$ | \$ |
| Employee benefits – annual leave | 12,178 | 468 |
| | 12,178 | 468 |
| Movement in employee benefits | | |
| Balance at the beginning of the year | 468 | - |
| Leave accrued | 28,030 | 15,220 |
| Leave taken | (16,320) | (14,752) |
| Closing value | 12,178 | 468 |

13 LEASE LIABILITIES

| | 30/06/20 | 30/06/19 |
|---------------------------|----------|----------|
| | \$ | \$ |
| Maturity analysis: | | |
| Year 1 | 73,000 | - |
| Year 2 | 43,400 | - |
| | 116,400 | - |
| Less unearned interest | (2,525) | - |
| Closing value | 113,875 | - |
| Analysed as: | | |
| Current | 70,851 | - |
| Non-current | 43,024 | - |
| | 113,875 | - |

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

14 NON-CURRENT LIABILITIES – PROVISIONS

| | 30/06/20 | 30/06/19 |
|-------------------|----------|----------|
| | \$ | \$ |
| Employee benefits | 26,632 | 21,000 |

15 NON-CURRENT LIABILITIES – OTHER

| | 30/06/20 | 30/06/19 |
|------------------------------------|----------|----------|
| | \$ | \$ |
| Deferred income (government grant) | 975,517 | 975,517 |

Deferred income relates to government grants received in relation to exploration related activities associated with currently active exploration projects, refer note 3(p) for the accounting policy. The funds received are non-refundable.

16 ISSUED CAPITAL

| | 30/06/20 \$ | 30/06/19 \$ |
|---|----------------|----------------|
| 1,532,863,256 fully paid ordinary shares (2019: 1,355,499,211) | 47,878,739 | 42,879,479 |
| 2,107,500 treasury stock (2019: 9,940,000) | (52,221) | (122,920) |
| | 47,826,518 | 42,756,559 |

Movement in issued shares for the year

| | NUMBER | YEAR ENDED 30/06/20 \$ | NUMBER | YEAR ENDED 30/06/19 \$ |
|--|---------------|------------------------------|---------------|------------------------------|
| Fully paid ordinary shares | | | | |
| Balance at beginning of financial year | 1,355,499,211 | 42,879,479 | 896,028,227 | 40,148,298 |
| Placement at 4.7 cents | 85,046,790 | 3,997,199 | - | - |
| Placement at 0.6 cents | - | - | 183,333,333 | 1,100,000 |
| Placement at 0.65 cents* | - | - | 271,076,923 | 1,762,000 |
| Issue of shares as part payment of director fees | 402,576 | 17,500 | 5,060,728 | 37,500 |
| Exercise of listed options | 89,414,679 | 1,093,910 | - | - |
| Exercise of unlisted options | 2,500,000 | 42,165 | - | - |
| Shares issued from treasury stock | - | 39,756 | - | - |
| Costs associated with the issue of shares | - | (273,243) | - | (240,456) |
| Related income tax | - | 81,973 | - | 72,137 |
| Balance at end of financial year | 1,532,863,256 | 47,878,739 | 1,355,499,211 | 42,879,479 |
| Treasury stock | | | | |
| Balance at beginning of financial year | (9,940,000) | (122,920) | (9,940,000) | (122,920) |
| Shares issued from treasury stock | 7,832,500 | 70,699 | - | - |
| Balance at end of financial year | (2,107,500) | (52,221) | (9,940,000) | (122,920) |
| Total issued capital | 1,530,755,756 | 47,826,518 | 1,345,559,211 | 42,756,559 |

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

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

Financial year ended 30 June 2019

On 7 August 2018 the Company issued 183,333,333 ordinary shares under a placement to professional and sophisticated investors at an issue price of 0.6 cents per share raising \$1,100,000 before costs.

A total of 5,060,728 ordinary shares were issued to Non-Executive Directors on 3 December 2018 as payment of partly deferred director fees as approved by shareholders.

On 28 February 2019 the Company issued 271,076,923 ordinary shares under a placement to professional and sophisticated investors at an issue price of 0.65 cents per share raising \$1,762,000 before costs. Participants in the placement were issued 3 listed options for every 4 new shares subscribed resulting in 203,307,712 listed options being issued having an exercise price of \$0.012 cents and expiry date of 30 November 2020

Financial year ended 30 June 2020

On 25 October 2019 the Company issued 85,046,790 ordinary shares under a placement to professional and sophisticated investors at an issue price of 4.7 cents per share raising \$3,997,199 before costs.

A total of 402,576 ordinary shares were issued to a Non-Executive Director on 3 December 2019 as payment of partly deferred director fees as approved by shareholders.

Share Options on Issue

At 30 June 2019 there were 704,588,163 listed share options on issue having an exercise price of 1.2 cents and an expiry date of 30 November 2020. A total of 89,414,679 listed share options were exercised during the year leaving 615,173,484 listed share options on issue at 30 June 2020.

At 30 June 2019 there were 20,000,000 unlisted options on issue having an exercise price of 1.2 cents and an expiry date of 15 November 2021. On 24 June 2020 2,500,000 unlisted options were exercised leaving 17,500,000 unlisted options on issue at 30 June 2020.

On 24 December 2019, 59,000,000 unlisted options were issued with an exercise price of 6.4 cents and an expiry date of 28 November 2022. None of these unlisted options were exercised during the year.

On 24 December 2019, a further 20,000,000 unlisted options were issued, which vest 12 months following the 2019 AGM, with an exercise price of 7.5 cents and expiry date of 28 November 2023. None of these unlisted options were exercised during the year.

17 RESERVES

| | 30/06/20 | 30/06/19 |
|---|------------------|----------------|
| | \$ | \$ |
| Share option reserve (i) | 2,939,738 | 505,524 |
| Employee equity-settled benefits reserve (ii) | - | 57,195 |
| | <u>2,939,738</u> | <u>562,719</u> |

- i) The share option reserve arises from the issuance of share options arising from rights issues and issuance to directors, employees and consultants.
- ii) 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 18 to the financial statements.

18 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.

On 23 May 2018 directors approved the issue of 750,000 shares to a key staff member under the LFESP and held by the trustee of the Plan at an issue price of \$0.007 per share along with an associated loan 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 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 |
| Series 5 | 750,000 | 23/05/2018 | As described above | \$0.007 |

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

At 30 June 2019 the number of shares granted to executives and employees was 7,832,500 and the amount held by the trustee of the LFESP was 2,107,500 that are available to be issued to executives and employees. During the year 7,832,500 shares were transferred to executives and employees through the settlement of their respective interest-free loans. At 30 June 2020, 2,107,500 shares remained held by the trustee of the LFESP.

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

| | 30/06/20 | | 30/06/19 | |
|--|------------------------|------------------------------------|------------------------|------------------------------------|
| | NUMBER OF LFESP SHARES | WEIGHTED AVERAGE EXERCISE PRICE \$ | NUMBER OF LFESP SHARES | WEIGHTED AVERAGE EXERCISE PRICE \$ |
| Loan Funded Employee Share Plan | | | | |
| Balance at beginning of financial year | 7,832,500 | 0.009 | 7,832,500 | 0.009 |
| Granted during the financial year | - | - | - | - |
| Exercised during the financial year | (7,832,500) | (0.009) | - | - |
| Forfeited during the financial year | - | - | - | - |
| Cancelled during the financial year | - | - | - | - |
| Balance at end of the financial year | - | - | 7,832,500 | 0.009 |
| Exercisable at end of year | - | - | 7,832,500 | 0.009 |

19 KEY MANAGEMENT PERSONNEL COMPENSATION

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

- **R G J Grivas** (Non-Executive Chairman)
- **J E Marsh** (Managing Director)
- **N J Harding** (Executive Director and Company Secretary)
- **J F Ranford** (Operations Director) – appointed Non-Executive Director on 8 April 2020 and subsequently Operations Director on 1 June 2020
- **A N Shearer** (Non-Executive Director)
- **E J Whittaker** (Chief Geologist) – appointed 17 February 2020

The aggregate compensation of key management personnel of the Group is set out below:

| | YEAR ENDED 30/06/20 \$ | YEAR ENDED 30/06/19 \$ |
|------------------------------|------------------------------|------------------------------|
| Short-term employee benefits | 693,138 | 480,449 |
| Post employment benefits | 47,249 | 28,897 |
| Leave benefits | 32,007 | 21,057 |
| Cash bonus | 141,324 | 36,529 |
| Share-based payments (i) | 1,766,562 | 100,077 |
| | <u>2,680,280</u> | <u>667,009</u> |

i) Share based payments do not represent cash payments to key management personnel and the related shares may or may not ultimately vest.

20 REMUNERATION OF AUDITORS

| | 30/06/20 \$ | 30/06/19 \$ |
|--|----------------|----------------|
| Deloitte and related network firms* | | |
| Audit or review of financial reports | | |
| Group | 66,860 | 52,000 |
| Other services | | |
| Tax return preparation and advice | - | 10,950 |
| | 66,860 | 62,950 |

* The auditor of Andromeda Metals Limited is Deloitte Touche Tohmatsu.

21 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 27 to the financial statements.

Interests in joint arrangements

Details of interests in joint arrangements are disclosed in Note 22 to the financial statements.

b) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 19.

c) Transactions with key management personnel

Other than as disclosed in Note 19 and Note 21(b), there were no transactions with key management personnel or their personally related entities during the year ended 30 June 2020 (2019: Nil).

22 THIRD PARTY INTERESTS

The Group had interests in unincorporated joint arrangements at 30 June 2020 as follows:

| | PERCENTAGE INTEREST 2020 | PERCENTAGE INTEREST 2019 |
|---|-----------------------------|-----------------------------|
| Moonta Porphyry Joint Venture (note i) – copper/gold exploration | 90% | 90% |
| Rover Copper Gold Project (note ii) – copper/gold exploration | N/A | 100% |
| Wudinna Gold Joint Venture (note iii) – gold exploration | 100% | 100% |
| Great White Kaolin Joint Venture (note iv) – halloysite-kaolin evaluation and development | 51% | 0% |
| Drummond Gold Joint Venture (note v) – gold exploration | 100% | 100% |
| Moonta Copper ISR Joint Venture (note vi) – copper in-situ recovery | 100% | 100% |
| Halloysite Nanotechnology Joint Venture (note vii) – halloysite research | 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) 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. On 2 August 2019 the Company executed a binding Sale and Purchase Agreement for the sale of the Rover Copper Gold Project to Castile Resources Pty Ltd, a wholly owned subsidiary of Westgold Resources Limited, for a total cash consideration of \$650,000.

- iii) 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. The Company granted an extension to 31 December 2020 for the completion of the Stage 1 expenditure following a request from LAM due to logistical issues associated with COVID-19. 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. LAM has been acquired by London Stock Exchange listed entity Cobra Resources PLC and acts as the operator of the joint venture.
- iv) Under the terms of the Great White Kaolin Joint Venture Agreement (previously known as the Poochera Joint Venture), 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 in 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. On 4 March 2020, the joint venture partners announced that the Stage 1 expenditure had been met by ADN and that the Company had acquired a 51% interest in the Project. ADN has elected to proceed with Stage 2 by sole funding an additional \$3,000,000 to be spent by 24 April 2023 to acquire a further 24% interest in the Project.
- v) The Drummond Gold Joint Venture was established on 31 August 2018 with Evolution Mining Limited (EVN) to explore epithermal gold prospects across the Company's Drummond Gold Project in north Queensland. Under the terms of the joint venture, EVN is required to sole fund \$2.0 million on exploration expenditure under Stage 1 within 2 years of execution and pay the Company \$300,000 at the time of entering the joint venture. Subsequent to the end of the financial year, on 11 September 2019 EVN advised it had met its Stage 1 expenditure commitment and elected to proceed to Stage 2 which will require it to spend another \$4.0 million over the next 2 years and pay the Company a further \$200,000 to earn an overall 80% equity interest in the Project.
- vi) The Moonta Copper ISR Joint Venture was established on 19 December 2018 with Environmental Metals Recovery Pty Ltd (EMR) to progress the potential to recover copper via in-situ leach recover technique across the northern part of the Company's Moonta tenement in South Australia. Under the terms of the joint venture EMR will sole fund \$2.0 million over 4 years to earn a 51% equity interest in the project area. EMR can elect to move to a 75% interest in the project by spending a further \$3.5 million over an additional 3.5 years.
- vii) The Halloysite Technology Joint Venture is a collaborative partnership with Minotaur Exploration Limited established on 16 May 2019 to undertake research and development to develop intellectual property and investigate commercial applications for halloysite-kaolin nanotubes sourced from the Great White Kaolin Project. Under the terms of the agreement the Company is required to make contributions to earn a 50% equity interest in an incorporated company named Natural Nanotech Pty Ltd which will hold the intellectual property developed on behalf of the joint venture partners. As at 30 June 2020 all payments required to earn the 50% interest have been made, with the shares expected to legally transferred to the Andromeda in the first half of FY21. Andromeda already has joint control by virtue of having one of two board seats, and consequently the investment is classified as an investment in joint venture as at 30 June 2020. Refer Note 10 for further information.

The amount included in mining tenements, exploration and evaluation (Note 8) includes \$9,044,172 (2019: \$6,387,639) relating to the above joint arrangements.

23 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:

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Not later than one year | 2,797,250 | 2,726,773 |
| Later than one year but not later than two years: | 2,078,500 | 2,022,083 |
| Later than two years but not later than five years: | 937,000 | 1,406,333 |

b) Service agreements

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

2020

| KEY MANAGEMENT PERSONNEL | TERMS |
|--------------------------|--|
| N J Harding | Daily rate of \$920 |
| J F Ranford | Monthly rate of \$20,000 for 3 days week |
| R G J Grivas | Daily rate of \$900 per day as required |

2019

| KEY MANAGEMENT PERSONNEL | TERMS |
|--------------------------|---|
| N J Harding | Daily rate of \$800 |
| R G J Grivas | Daily rate of \$900 per day as required |

On 19 December 2019 the Group entered into a new service agreement with an entity associated with N J Harding with no fixed term. The Group or the entity associated with N J Harding may terminate the agreement by giving three months notice respectively.

On 1 June 2020 the Group entered into a service agreement with an entity associated with J F Ranford with no fixed term. The Group or the entity associated with J F Ranford may terminate the agreement by giving three months notice respectively.

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 \$3,600 (2019: \$25,200) was paid under this agreement during the year.

c) Bank guarantees

The Group has provided restricted cash deposits of \$42,500 as security for the following unconditional irrevocable bank guarantees:

- An environment bond of \$10,000 (2019: \$10,000) to the Minister for Mineral Resources Department, South Australia,
- A rent guarantee of \$32,500 (2019: \$32,500) to the landlord of the Company's leased office premises.

A performance bond of \$50,000 to the Central Land Council, Northern Territory was cancelled and returned to the Company during the financial year.

d) Operating lease – prior to adoption of AASB 16

Operating lease relates to the lease of office space which expires on 31 January 2022 (2019: 31 January 2020). The Group does not have an option to purchase the leased asset at the expiry of the lease period.

| | 2019 \$ |
|--|---------------|
| Non-cancellable operating lease commitments | |
| Not longer than 1 year | 40,600 |
| Longer than 1 year and not longer than 5 years | - |
| Longer than 5 years | - |
| | <u>40,600</u> |

24 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

| | 2020 \$ | 2019 \$ |
|------------------------------|------------|------------|
| Financial assets | | |
| Cash and cash equivalents | 2,998,626 | 1,669,188 |
| Trade and other receivables | 84,997 | 117,538 |
| Other financial assets | 74,500 | 124,966 |
| Financial liabilities | | |
| Trade and other payables | 626,274 | 455,997 |
| Lease liabilities | 113,875 | - |
| Other liabilities | 12,178 | 468 |

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 \$11,669 (2019: increase/decrease by \$6,326). 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 \$ | ONE TO TWO YEARS \$ |
|----------------------|--|--------------------------|------------------------|
| 2020 | | | |
| Non-interest bearing | - | 626,274 | - |
| Interest bearing | 2.63% | 70,851 | 43,024 |
| 2019 | | | |
| Non-interest bearing | - | 455,997 | - |

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 book value approximates the fair value.

25 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.

26 EARNINGS PER SHARE

| | YEAR ENDED 30/06/20 CENTS PER SHARE | YEAR ENDED 30/06/19 CENTS PER SHARE |
|--|--|--|
| Basic earnings per share – profit / (loss) | (0.24) | (0.10) |
| Diluted earnings per share – profit / (loss) | (0.24) | (0.10) |

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 | (3,447,274) | (1,113,181) |
| | NUMBER | NUMBER |
| – Weighted average number of ordinary shares | 1,423,661,411 | 1,143,839,122 |

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 | (3,447,274) | (1,113,181) |
| | NUMBER | NUMBER |
| – Weighted average number of ordinary shares | 1,423,661,411 | 1,143,839,122 |

| | YEAR ENDED 30/06/20 NUMBER | YEAR ENDED 30/06/19 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 | 615,173,484 | 704,588,163 |
| – Unlisted share options | 96,500,000 | 20,000,000 |
| – Treasury shares | 2,107,500 | 9,940,000 |
| | <u>713,780,984</u> | <u>734,528,163</u> |

27 CONTROLLED ENTITIES

| NAME OF ENTITY | | COUNTRY OF INCORPORATION | OWNERSHIP INTEREST | |
|---------------------------------------|------------|-----------------------------|--------------------|-----------|
| | | | 2020 % | 2019 % |
| Parent Entity | (i) | Australia | 100% | 100% |
| Andromeda Metals Limited | | | | |
| Subsidiaries | (ii) | Australia | 100% | 100% |
| Adelaide Exploration Pty Ltd | | | | |
| Peninsula Resources Pty Ltd | (ii) | Australia | 100% | 100% |
| ADN LFESP Pty Ltd | (ii) (iii) | Australia | 100% | 100% |
| Mylo Gold Pty Ltd | (ii) | Australia | 100% | 100% |
| Frontier Exploration Pty Ltd | (ii) | Australia | 100% | 100% |
| Andromeda Industrial Minerals Pty Ltd | (ii) | Australia | 100% | 100% |

i) Head entity in tax consolidated group.

ii) Members of tax consolidated group.

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

28 PARENT ENTITY DISCLOSURES

Financial position

| | 30/06/20 | 30/06/19 |
|-------------------------|--------------|--------------|
| | \$ | \$ |
| Assets | | |
| Current assets | 3,083,617 | 1,786,658 |
| Non-current assets | 8,625,995 | 5,334,592 |
| Total assets | 11,709,612 | 7,121,250 |
| Liabilities | | |
| Current liabilities | 709,307 | 456,466 |
| Non-current liabilities | 69,656 | 21,000 |
| Total liabilities | 778,963 | 477,466 |
| Equity | | |
| Issued capital | 47,826,518 | 42,756,559 |
| Reserves | 2,739,738 | 562,719 |
| Accumulated losses | (39,835,607) | (36,675,494) |
| Total equity | 10,930,649 | 6,643,784 |

Financial performance

| | YEAR ENDED 30/06/20 | YEAR ENDED 30/06/19 |
|------------------------------|------------------------|------------------------|
| | \$ | \$ |
| Profit / (loss) for the year | (3,177,551) | (978,820) |
| Other comprehensive income | - | - |
| Total comprehensive income | (3,047,876) | (978,820) |

Commitment for expenditure and contingent liabilities if the parent entity

Note 23 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

29 SUBSEQUENT EVENTS

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:

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;

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;

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 Group; and

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

30th September 2020

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 "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 and of its 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 (including Independence Standards)* (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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial report, which indicates that the Group incurred a net loss of \$3,447,274 and experienced net cash outflows from operating and investing activities of \$3,538,195 during the year ended 30 June 2020. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management and the directors in relation to events and conditions that may impact the assessment on the Group's ability to pay its debts as and when they fall due;
- Challenging the assumptions reflected in management's cash flow forecast, including the timing of expected cash flows, including the uncertainty in relation to the impact of COVID-19 on the Group;
- Assessing the impact of events occurring after balance date on the financial statements; and
- Assessing the adequacy of the disclosure related to going concern in Note 3 to the financial statements.

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 for 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|--|
| <p><u>Carrying value of Exploration and evaluation assets</u></p> <p>As at 30 June 2020, the Group has capitalised \$9.2 million of exploration and evaluation expenditure as disclosed in Note 8.</p> <p>Significant judgement is applied in determining the treatment of exploration and evaluation expenditure including:</p> <ul style="list-style-type: none"> • 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. | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of management's process for assessing the recoverability of exploration and evaluation assets; • Obtaining a schedule of the areas of interest held by the Group, 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; • Testing on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of the relevant accounting standards; and • Assessing whether any facts or circumstances existed to suggest impairment testing was required. <p>We also assessed the appropriateness of the disclosures included in Note 8 to the financial statements.</p> |

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 2020, 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 of the Company 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 ability of the Group 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 has 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, actions taken to eliminate threats or safeguards applied.

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 27 to 32 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Andromeda Metals Limited, for the year ended 30 June 2020, 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



David Newman

Partner

Chartered Accountants

Perth, 30 September 2020

Investor information

as at 30 September 2020

SHARE PRICE MOVEMENTS

Share prices on the Australian Securities Exchange during the 2019-2020 year were:

| QUARTER ENDED | HIGH | LOW |
|----------------|---------|---------|
| September 2019 | \$0.082 | \$0.014 |
| December 2019 | \$0.060 | \$0.035 |
| March 2020 | \$0.057 | \$0.019 |
| June 2020 | \$0.075 | \$0.030 |

ANNOUNCEMENTS

The Company makes both statutory announcements (quarterly activities reports, financial reports, Appendix 5B cashflow statements, changes to directors' interests) and specific announcements under continuous disclosure provisions on a timely basis.

Company announcements made since the start of the financial year and marked as price sensitive by ASX include:

| 2019 | |
|--------------|---|
| 18 July | China visit confirms significant Halloysite-Kaolin demand |
| 29 July | Additional offtake for Dry-Processed Halloysite-Kaolin |
| 31 July | Response to ASX Query |
| 31 July | June 19 Quarterly Activities Report |
| 31 July | June 19 Quarterly Cashflow Report |
| 5 August | Sale of Rover Copper-Gold Project |
| 13 August | Response to ASX Query |
| 16 August | Trading Halt |
| 19 August | DSO offtake secured for Halloysite-Kaolin product |
| 9 September | Expansion of Project Tenure at Poochera and Camel Lake |
| 12 September | Evolution commits to Stage 2 of Drummond Joint Venture |
| 26 September | Trading Halt |
| 26 September | Exchange SA Conference Presentation |
| 30 September | Scoping Study delivers robust economics for Poochera |
| 14 October | Trading Halt |
| 16 October | Placement |
| 24 October | Funding for Halloysite-Kaolin research for Hydrogen Storage |
| 30 October | Drilling at Carey's Well extends Mineralised Zone |
| 31 October | September 19 Quarterly Activities Report |
| 31 October | September 19 Quarterly Cashflow Report |
| 15 November | Video Interview with Managing Director |
| 28 November | Managing Director's Presentation – 2019 AGM |
| 29 November | SA Mining and Exploration Conference Presentation |
| 5 December | Commencement of Drilling at Poochera |
| 12 December | High Purity Halloysite confirmed at Poochera |
| 23 December | Significant increase in Mineral Resource at Poochera |

| 2020 | |
|--------------|--|
| 31 January | December 19 Quarterly Activities Report |
| 31 January | December 19 Quarterly Cashflow Report |
| 4 March | Andromeda acquires 51% interest in Poochera Project |
| 5 March | Summary of Managing Director's Interview |
| 16 March | High Grade Halloysite Zone identified at Condooringie |
| 20 March | Drilling underway at Mount Hope Halloysite-Kaolin Prospect |
| 7 April | MD Webinar Presentation |
| 8 April | Andromeda strengthens Board and Team |
| 20 April | Significant Kaolin intersected at Mount Hope Project |
| 30 April | March 20 Quarterly Activities Report |
| 30 April | March 20 Quarterly Cashflow Report |
| 7 May | NWR Small Cap Resources Presentation |
| 18 May | Drilling underway at Condooringie Halloysite-Kaolin Prospect |
| 28 May | Trading Halt |
| 1 June | Pre-Feasibility Study further improves Poochera economics |
| 10 June | Video Interviews conducted by Managing Director |
| 11 June | Appointment of Project Manager |
| 19 June | Letter to Optionholders |
| 10 July | Maiden Ore Reserve for Carey's Well Deposit |
| 15 July | New Major Market Opportunity following Mount Hope results |
| 15 July | Noosa Mining Virtual Conference Presentation |
| 30 July | June 20 Quarterly Activities Report |
| 30 July | June 20 Quarterly Cashflow Report |
| 11 August | New Mineral Resource for Mount Hope Kaolin Project |
| 31 August | Appointment of Marketing Services Provider |
| 3 September | Video Interview with Managing Director |
| 11 September | Hammerhead results and Potential New Product Application |
| 11 September | Share Café Webinar and Presentation |
| 28 September | Trading Halt |
| 29 September | Response to ASX Price Query Letter |
| 29 September | Commencement of Drilling at Wudinna Gold Project |
| 29 September | Mineral Resource for Hammerhead Halloysite-Kaolin Deposit |
| 28 October | Halloysite Nanotechnology Breakthroughs for Natural Nanotech |

Additional shareholder information

as at 30 September 2020

TOP 20 SHAREHOLDERS OF ORDINARY SHARES

| | SHARES | % SHARES |
|---|----------------------|----------------|
| 1 Buratu Pty Limited (Connolly Super Fund A/C) | 107,737,499 | 6.33 |
| 2 Debuscey Pty Ltd | 30,000,000 | 1.76 |
| 3 BNP Paribas Nominees Pty Ltd (IB Au Noms Retail Client DRP) | 25,595,287 | 1.50 |
| 4 John Pezzaniti | 21,069,497 | 1.24 |
| 5 PAC Partners Pty Ltd | 20,777,982 | 1.22 |
| 6 Raymond Laurence Carroll | 20,500,000 | 1.20 |
| 7 Citicorp Nominees Pty Ltd | 17,736,784 | 1.04 |
| 8 Toni & Anika Sinozic | 17,250,000 | 1.01 |
| 9 LJ & K Thomson Pty Ltd (LJT & KT Super Fund A/C) | 15,138,298 | 0.89 |
| 10 Peter Dallas Checkley & Niomie Esther Varady (Checkley Family S/F A/C) | 14,701,129 | 0.86 |
| 11 Janet Monica Henriod | 14,000,000 | 0.82 |
| 12 William Mark Palmer & Patricia Dawn Gregory (Palmer S/F A/C) | 13,633,839 | 0.80 |
| 13 Adonis Kiritsopoulos & Jennifer Anne Ford | 13,000,000 | 0.76 |
| 14 CS Fourth Nominees Pty Ltd (HSBC Cust Nom Au Ltd 11 A/C) | 10,944,356 | 0.64 |
| 15 Ampersand 8 Pty Ltd (S Helby Superfund A/C) | 10,500,000 | 0.62 |
| 16 Aiden John Barker | 10,350,000 | 0.61 |
| 17 George David Butkeraitis | 10,000,000 | 0.59 |
| 17 Nick Milenkovski | 10,000,000 | 0.59 |
| 19 Kristen Lee Young | 9,605,488 | 0.56 |
| 20 Craig Russell Stranger | 9,500,000 | 0.56 |
| Total of top 20 shareholdings | 402,040,159 | 23.62% |
| Other holdings | 1,300,368,042 | 76.38% |
| Total fully paid ordinary shares on issue | 1,702,408,201 | 100.00% |

DISTRIBUTION OF SHAREHOLDERS

| | NO. OF HOLDERS | ORDINARY SHARES |
|----------------|----------------|-----------------|
| 1-1,000 | 352 | 78,452 |
| 1,001-5,000 | 438 | 1,426,855 |
| 5,001-10,000 | 628 | 5,271,939 |
| 10,001-100,000 | 2,702 | 116,610,660 |
| 100,001-over | 1,808 | 1,579,020,295 |
| Total | 5,928 | 1,702,408,201 |

There were 574 shareholders with less than a marketable parcel of 3,125 shares.

SUBSTANTIAL SHAREHOLDERS

Buratu Pty Limited (Connolly Super Fund A/C) 107,737,499

TOP 20 OPTIONHOLDERS OF LISTED ADNOB OPTIONS

| | OPTIONS | % OPTIONS |
|--|--------------------|---------------|
| 1 Peter Andrew Proksa | 44,000,000 | 9.87 |
| 2 Buratu Pty Limited (Connolly Super Fund A/C) | 37,382,501 | 8.39 |
| 3 John Pezzaniti | 19,009,000 | 4.27 |
| 4 David Fagan | 17,645,000 | 3.96 |
| 5 Goodheart Pty Ltd | 10,245,159 | 2.30 |
| 6 Robert John Connolly | 9,000,000 | 2.02 |
| 7 Michele Fay Perry | 8,035,480 | 1.80 |
| 8 Henning Beth | 8,028,000 | 1.80 |
| 9 Anna Rozos | 7,964,409 | 1.79 |
| 10 Ching-Wei Chang | 7,302,510 | 1.64 |
| 11 BNP Paribas Nominees Pty Ltd (IB Au Noms Retail Client DRP) | 7,214,773 | 1.62 |
| 12 Laurie Nicholls | 7,211,539 | 1.62 |
| 13 Kalpesh Varsani & Rita Varsani (Varsani Family S/F A/C) | 7,000,000 | 1.57 |
| 14 ARMA Investment Holdings Pty Ltd (Monastiri Super Fund A/C) | 6,293,309 | 1.41 |
| 15 EEEP Pty Ltd (Fagan Super Fund Account) | 6,000,000 | 1.35 |
| 16 Valas Investments Pty Ltd (Valas Investments A/C) | 5,899,998 | 1.32 |
| 17 ROBMP Pty Ltd (RMP Super Fund A/C) | 5,600,084 | 1.26 |
| 18 Robert John Connolly | 5,600,000 | 1.26 |
| 19 Parker Finance Pty Ltd (Parker Finance A/C) | 5,480,000 | 1.23 |
| 20 Matthew Stone | 5,043,492 | 1.13 |
| Total of top 20 listed option holdings | 229,955,254 | 51.60 |
| Other option holdings | 215,673,285 | 48.40 |
| Total listed ADNOB options on issue | 445,628,539 | 100.00 |

Exercise price of 1.2 cents and expiry date of 30 November 2020.

DISTRIBUTION OF LISTED ADNOB OPTIONHOLDERS

| | NO. OF HOLDERS | LISTED ADNOB OPTIONS |
|----------------|----------------|----------------------|
| 1-1,000 | 14 | 4,951 |
| 1,001-5,000 | 23 | 73,249 |
| 5,001-10,000 | 18 | 145,007 |
| 10,001-100,000 | 130 | 6,524,277 |
| 100,001-over | 257 | 438,881,055 |
| Total | 442 | 445,628,539 |

There were 29 optionholders with less than a marketable parcel of 3,572 options.

UNLISTED OPTIONS

| | |
|---|-------------------|
| exercise price of 1.2 cents and expiry date of 15 November 2021 | 17,500,000 |
| exercise price of 6.4 cents and expiry date of 28 November 2022 | 59,000,000 |
| exercise price of 7.5 cents and expiry date of 28 November 2023 | 20,000,000 |
| | 96,500,000 |



A few facts about the Andromeda Galaxy:

- Andromeda Galaxy coordinates
RA 0h 42m 44s | Dec +41° 16' 9"
- Nearest major galaxy to our own Milky Way Galaxy
- 2.5 million light years from earth
- Appears in the Constellation of Andromeda, named after the mythological Greek princess Andromeda
- Is the brightest galaxy in the sky and is the most distant thing that we can see from earth with the unaided naked eye
- Contains an estimated 1 trillion stars, more than double that of the Milky Way
- Andromeda has a central core with spiral arms
- Is 2.5 times longer than the Milky Way
- Is the biggest known galaxy by volume
- The central core is considered to contain metal-rich stars with a metal-poor galactic halo
- The Andromeda Galaxy will collide with the Milky Way in 4.5 billion years from now.



Andromeda

METALS

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