



Andromeda

METALS

FINANCIAL REPORT

For the Half-Year Ended

31 December 2019

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Directors' Report

The names of the directors of the Company during the half-year and as at the date of this report are:

Rhoderick G J Grivas
Non-Executive Chairman

BSc (Geology), MAusIMM

James E Marsh
Managing Director

BSc (Hons), MAusIMM

Nicholas J Harding
Executive Director and Company Secretary

F CPA, F Fin, AGIA, ACIS

Andrew N Shearer
Non-Executive Director and Audit and Risk Committee Chairman

BSc (Geology), Hons (Geophysics), MBA

Operating and Financial Review

Strategy

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

- The Company will maintain a focus on advancing the Poochera Halloysite-Kaolin Project from Scoping and Pre-Feasibility Studies through to eventual development and production, should final modelling determine this to be commercially viable. Consideration of a number of production streams, including direct shipping of raw ore, product beneficiation on site of raw material through either dry or wet-processing for sale of processed kaolin to overseas ceramic manufactures, and possible downstream production of HPA product most likely overseas, will be evaluated. The Directors see the market for quality halloysite-kaolin product and HPA to be growing rapidly, and that the Poochera Project is a world-class deposit capable of supplying this rapidly expanding market.
- The Company will fund research to assist in the development of new market opportunities for halloysite-kaolin given the high purity halloysite found at Poochera, Camel Lake and potentially 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 Poochera Project. To that end, the Company has entered into joint venture arrangements with Evolution Mining Limited over the Drummond Epithermal Gold Project, Cobra Resources PLC over the Eyre Peninsula Gold Project and Environmental Metals Recovery Pty Ltd over the northern part of the Moonta Copper-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 six months ending 31 December 2019 was a loss after income tax of \$2,109,501 (2018: loss of \$639,209).

Exploration and evaluation expenditure for the six months was \$1,303,918 (2018: \$859,945), the majority of which was directed towards the advancement of the Poochera Halloysite-Kaolin Project. Administration expenses and employee benefits for the six months totalled \$2,677,995 (2018: \$527,565) which is inclusive of the valuation of options issued to directors and staff. At 31 December 2019 the Company held cash and cash equivalents totalling \$4,367,316 (2018: \$1,005,807).

Review of Operations

During the half-year ended 31 December 2019 Andromeda Metals' main focus has been to further progress the Poochera Halloysite-Kaolin Project with the completion of a Scoping Study and then immediately commencing a detailed Pre-Feasibility Study for the Project. Steady progress has also been made with a number of the Company's gold and copper exploration projects during the six month period.

Poochera Halloysite-Kaolin Project

In September 2019 the Company released an extremely positive Scoping Study which confirmed the potential for the Poochera Halloysite-Kaolin Project to be a long-term supplier of high-quality halloysite-kaolin product to meet a growing demand from premium quality porcelain manufacturers globally. Since then, considerable effort has been made to advance the Poochera Project through the Pre-Feasibility stage, along with progressing information required for meeting permitting approvals. Particular focus has been directed to the processing area with consideration of possible wet-processing on site, with the intention of announcing an update to the Scoping Study prior to completion of the Pre-Feasibility Study, which is scheduled for release during the second quarter of calendar year 2020 PFS. Significant advances have been made in areas of processing, logistics, environmental studies and land access with the work undertaken for the Pre-Feasibility Study.

The extremely high purity of the halloysite-kaolin also makes it an ideal feed material for supplying the High Purity Alumina (HPA) sector, and halloysite nanotechnology research. Extensive research in collaboration with the Global Innovative Centre for Advanced Nanotechnology at the University of Newcastle has been ongoing with a new area of hydrogen storage/transportation now included after securing government match-funding.

A number of high purity alumina (HPA) opportunities have been under consideration and technical evaluations are in progress. 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.

In October 2019, infill drilling results extended the Carey's Well mineralised zone, with a resultant 80% increase in the Measured Mineral Resource providing increased confidence in the resource quality. The Global "bright white" kaolinised granite Mineral Resource was increased by over 28% to 26.0 million tonnes. This resulted in a yield of 10.6 million tonnes of minus 45 micron quality kaolin product, and the improved size and quality of Mineral Resource will be utilised to complete the Pre-Feasibility Study.

In December 2019 an aircore drilling program comprising a planned total of approximately 73 holes (including 9 twin holes) at Carey's Well, and up to 88 holes at Condooringie, for a total of 4,000 metres commenced at the Poochera Halloysite-Kaolin Project. This was completed in January 2020

and included proposed pit area closer spaced infill drilling to gain improved confidence of the halloysite-kaolin mineralisation, and a better understanding of the lithology/ore horizon contours to assist with mine design planning and scheduling.

Drummond Epithermal Gold Joint Venture

On 11 September 2019 Evolution Mining Limited gave notice of its decision to proceed to Stage 2 under the Earn-in and Exploration Joint Venture Agreement over the Drummond Gold Project having met the \$2.0 million expenditure requirement under Stage 1 within 2 years of execution of the agreement. The Company received a \$200,000 cash payment on 20 September 2019 from Evolution as a condition under the agreement of the election to go to Stage 2.

During the half-year period, Evolution finalised a 10 hole diamond drilling program which had commenced late in the previous financial year. 5 holes for 2,159.7 metres were drilled at the Bunyip Prospect and 5 holes for 2,408.3 metres were drilled at the South West Limey Prospect. The best intercept received was at Bunyip which was 7 metres at 3.42g/t Au with only narrow low grade intersections returned for the majority of the program.

Besides the diamond drilling program, Evolution undertook extensive field exploration and data review activities over the period which has identified a number of potential targets for future follow up. The geological mapping of the Limey Trend (from South West Limey to North Limey along a 2.5 km strike length) was undertaken in addition to an extension to the ground magnetic survey north of South West Limey. A 400 metre spaced reconnaissance soil geochemistry study was also completed over the regional Stones Creek Volcanics which identified several areas of interest. An airborne hyperspectral survey was also undertaken across significant areas of the Drummond Project tenement package with the data collected identifying a number of discrete pyrophyllite anomalies which are to be analysed.

Moonta Copper ISR Joint Venture

Joint venture partner Environmental Metals Recovery Pty Ltd (EMR) completed a JORC 2012 Mineral Resource Estimate during the 6 month period incorporating historical drilling results from a number of copper prospects across the area of interest covered by the joint venture that are considered favourable or ISR application. The results from this work 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.

A number of composite samples were sourced from the Bruce, Larwood and Wombat Prospects for mineral characterisation and bottle roll testing in order to trial lixiviant/oxidant combinations which has yielded some initial positive results using acid lixiviant solutions and glycine.

Eyre Peninsula Gold Joint Venture

Joint venture partner Cobra Resources PLC completed the first phase of its fundraising and as a result commenced geochemical sampling shortly after the end of the half year with calibration calcrete samples collected across the Barns, Baggy Green and White Tank deposits. Multi element analysis of these samples is to be performed in addition to re-assaying of a full suite of elements on selected samples retained from previous drilling.

Pilbara Gold Project

During the half year, the Company made an application to acquire a tenement adjacent to E46/1196 "Rooneys" to add to the Pilbara Gold Project tenement portfolio. The new tenement E43/1336 has significant interest in that the Mount Roe Basalt and Hardey Formation, which are the targeted units found in the Pilbara Conglomerate Gold Models, outcrop along with the basement Pilbara Craton

Inlier for approximately 14 kms. The tenement has evidence of historical alluvial gold workings and past metal detecting for nuggets, with gold anomalous rock chips encountered over the 14 kms 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 Project forward given the focus of the Company is directed towards development of the Poochera Halloysite-Kaolin Project.

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, previously a wholly owned subsidiary of Westgold Resources Limited prior to its listing on the ASX in early 2020, for a total cash consideration of \$650,000 which was received on 3 September 2019. As the Rover Project was fully impaired in the Company accounts, a profit on sale of the Project of \$650,000 has been recorded in these half-year accounts.

Outlook and Future Developments

The focus of the Company will predominantly be directed towards further advancing the Poochera Halloysite-Kaolin Project. Key steps include:

- Completion of an update to the Scoping Study in March 2020 should wet-processing at site be considered a viable option;
- Completion of a more detailed Pre-Feasibility Study during the second quarter of 2020;
- Undertake regulatory permitting and approval processes;
- Undertake environmental studies as part of the permitting process;
- Undertake exploration activities on other prospects in the Poochera district including follow-up of the encouraging results achieved at the Condooringie Prospect;
- Initiate exploration activities at the Camel Lake Prospect;
- Decide upon a logistics solution for transportation of ore from site to market;
- Progress halloysite nanotechnology opportunities through the halloysite research joint venture with Minotaur Exploration.

In addition, the Company will:

- Undertake initial exploration activities on the 100% owned Mount Hope kaolin tenement;
- With the Pilbara tenements now granted, determine how best to move forward with the Pilbara Gold Project.

Competent Persons Statements

Information in this report has been assessed and compiled from previous ADN ASX releases by Mr James Marsh and Mr Rhoderick Grivas, both members of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Marsh and Mr Grivas are employees of the Andromeda Metals Limited and have 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 a 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 and Mr Grivas consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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

Subsequent Events

On 4 March 2020, the Company announced that it had met the Stage 1 expenditure commitment under the Poochera Joint Venture Heads of Agreement of \$3,000,000 within 2 years of execution of the agreement and had therefore moved to a 51% equity interest in the Project. The Company has elected to proceed immediately to Stage 2 under which Andromeda Metals will earn a further 24% interest on spending an additional \$3,000,000 by April 2023 on the Project. The Company will advance to an immediate 75% interest on a decision to mine, supported by a Bankable Feasibility Study, made by the joint venture partners.

There has not been any other matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 8 of the half-year financial report.

Dated at Adelaide this 13th day of March 2020 and signed in accordance with a resolution of the directors.



James E Marsh
Managing Director



A N Shearer
Non-Executive Director

13 March 2020

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

Dear Board Members

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 review of the financial statements of Andromeda Metals Limited for the half-year ended 31 December 2019, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountants

**Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income
for the Half-Year ended 31 December 2019**

	Note	Half-Year Ended 31/12/19	Half-Year Ended 31/12/18
		\$	\$
Revenue		11,418	4,068
Other income	2	650,000	1,243
Exploration expenditure written-off	3	(10,951)	(94,307)
Administration expenses		(239,928)	(150,745)
Corporate consulting expenses		(149,620)	(79,105)
Company promotion		(61,063)	(25,641)
Salaries and wages		(37,020)	(84,604)
Directors fees		(44,583)	(42,500)
Occupancy expenses		(34,800)	(27,600)
Share based remuneration	5	(2,110,981)	(117,370)
Loss before income tax		(2,027,528)	(616,561)
Income tax expense		(81,973)	(22,648)
Loss for the period		(2,109,501)	(639,209)
Other comprehensive income		-	-
Total comprehensive income for the period (loss)		(2,109,501)	(639,209)
Earnings Per Share			
Basic (cents per share) – (Loss)		(0.15)	(0.01)
Diluted (cents per share) – (Loss)		(0.11)	(0.01)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. Refer note 1 for information related to the adjustments made to the prior period.

**Condensed Consolidated Statement of Financial Position
as at 31 December 2019**

	Note	31/12/19 \$	30/06/19 \$
CURRENT ASSETS			
Cash and cash equivalents		4,367,316	1,669,188
Trade and other receivables		178,769	117,538
TOTAL CURRENT ASSETS		4,546,085	1,786,726
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	3	7,735,864	6,442,897
Plant and equipment		28,458	11,899
Other financial assets		124,748	124,966
TOTAL NON-CURRENT ASSETS		7,889,070	6,579,762
TOTAL ASSETS		12,435,155	8,366,488
CURRENT LIABILITIES			
Trade and other payables		619,439	455,997
Other liabilities		2,885	468
TOTAL CURRENT LIABILITIES		622,324	456,465
NON-CURRENT LIABILITIES			
Provisions		22,566	21,000
Other liabilities	9	975,517	975,517
TOTAL NON-CURRENT LIABILITIES		998,083	996,517
TOTAL LIABILITIES		1,620,407	1,452,982
NET ASSETS		10,814,748	6,913,506
EQUITY			
Issued capital	4	46,656,321	42,756,559
Reserves		2,673,700	562,719
Accumulated losses		(38,515,273)	(36,405,772)
TOTAL EQUITY		10,814,748	6,913,506

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

Condensed Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2019

	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 period (as previously reported)	-	-	-	(133,990)	(133,990)
Adjustment (refer note 1)	-	-	-	(505,219)	(505,219)
Loss attributable to the period (adjusted)	-	-	-	(639,209)	(639,209)
Total comprehensive income for the period (adjusted)	-	-	-	(639,209)	(639,209)
Issue of share capital through a placement at 0.6 cents	1,100,000	-	-	-	1,100,000
Costs associated with the issue of shares	(75,493)	-	-	-	(75,493)
Related income tax	22,648	-	-	-	22,648
Issue of shares as part payment of director fees	37,500	-	-	-	37,500
Fair value of options issued to directors	-	114,348	-	-	114,348
Fair value of shares issued to employees under the loan funded employee share plan	-	-	3,022	-	3,022
Balance at 31 December 2018 (adjusted)	41,110,033	492,554	57,195	(35,931,800)	5,727,982
Balance at 1 July 2019	42,756,559	505,524	57,195	(36,405,772)	6,913,506
Loss attributable to the period	-	-	-	(2,109,501)	(2,109,501)
Total comprehensive income for the period	-	-	-	(2,109,501)	(2,109,501)
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	47,538	-	-	-	47,538
Shares issued from treasury stock	28,795	-	-	-	28,795
Fair value of options issued	-	2,110,981	-	-	2,110,981
Balance at 31 December 2019	46,656,321	2,616,505	57,195	(38,515,273)	10,814,748

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

**Condensed Consolidated Statement of Cash Flows for the
Half-Year ended 31 December 2019**

	Note	Half-Year Ended 31/12/19 Inflows (Outflows) \$	Half-Year Ended 31/12/18 Inflows (Outflows) \$
Cash flows related to operating activities			
Payments to suppliers and employees		(152,336)	(388,083)
Net cash used in operating activities		(152,336)	(388,083)
Cash flows related to investing activities			
Interest received		19,040	4,038
Payment of environmental bonds		-	(1,500)
Payments for exploration and evaluation expenditure		(1,147,398)	(792,644)
Payment received from joint venture partner		200,000	300,000
Payments for plant and equipment		(21,467)	(1,722)
Net cash used in investing activities		(949,825)	(491,828)
Cash flows related to financing activities			
Proceeds from shares and equity options issued		4,073,532	1,100,000
Payments for capital raising costs		(273,243)	(75,493)
Net cash provided by financing activities		3,800,289	1,024,507
Net increase in cash and cash equivalents		2,698,128	144,596
Cash and cash equivalents at beginning of financial period		1,669,188	861,211
Cash and cash equivalents at end of financial period		4,367,316	1,005,807

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

Notes to the financial statements

Half-Year ended 31 December 2019

1. BASIS OF PREPARATION OF ACCOUNTS

This half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2019 annual financial report, other than as disclosed below.

In the current period, 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 annual reporting periods beginning on or after 1 July 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year 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
- AASB 2018-2 Amendments – Plan Amendment, Curtailment or Settlement (AASB 119)

The adoption of the aforementioned standards have resulted in no impact on interim financial statements of the Group as at 31 December 2019. A discussion on the adoption of AASB 16 is included below.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2019, except for new standards, amendments to standards and interpretations effective 1 July 2019 as set out below.

AASB 16 Leases

AASB 16 Leases has replaced the previous accounting requirements for leases under AASB 117 Leases. Under the previous requirements, leases were classified based on their nature as either finance leases which were recognised on the Statement of Financial Position, or operating leases, which were not recognised on the Statement of Financial Position.

Under AASB 16 Leases, the Company's accounting for operating leases as a lessee will result in the recognition of a right-of-use ("ROU") asset and an associated lease liability on the

Statement of Financial Position. The lease liability represents the present value of future lease payments, with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the ROU assets. There will also be additional disclosure requirements under the new standard.

The Group's adoption of AASB 16 has resulted in no impact to the financial statements of the Group due to the fact that the Group has not entered into any transactions or arrangements that would be accounted for as a lease under the new standard.

Issued standards and interpretations not early adopted

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 reporting period ended 31 December 2019. 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:

Standard/Interpretation	Application Date of Standard	Application Date for Company
AASB 2018-6 <i>Amendments to Australian Accounting Standards – Definition of a Business</i>	1 January 2020	1 July 2020
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020	1 July 2020
Conceptual Framework	1 January 2020	1 July 2020
2019-1 <i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 January 2020	1 July 2020

Comparative Financial Information

During the year-ended 30 June 2019, it was identified that payments received relating to Joint Venture contribution fees, Joint Venture management fees and Joint Venture administration fees had been recognised as income in the condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018. In accordance with the Group's accounting policies, which are disclosed in note 3 to the financial report for the year ended 30 June 2019, as at 30 June 2019, and for the year then ended, these payments were offset against the related exploration and evaluation assets capitalised in the consolidated statement of financial position. This treatment was adopted given that the payments either relate to farm-out transactions, or to the reimbursement of costs incurred by the group related to specific exploration and evaluation project.

Consequently, the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income for the year then ended were presented correctly, however the condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2018 originally included the above items as "other income".

The condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2018 has therefore been adjusted in the financial report for

the half year ended 31 December 2019 so that it is presented in a consistent manner with that adopted in the current half year period, and the year ended 30 June 2019.

The adjustment has the impact of reducing other income by \$505,219 and increasing the Group's loss before tax for the half year ended 31 December 2018 by \$505,219.

There is no impact of the above adjustment on the condensed consolidated statement of cash flows for the half year ended 31 December 2018, or the condensed consolidated statement of financial position as at 30 June 2019.

Going Concern

The half-year report has been prepared on the going concern basis, which assumes that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the half-year report.

The directors have prepared cash flow forecasts which indicate that the current cash resources will be sufficient to fund planned exploration and evaluation expenditures, along with meeting all working capital requirements, without the raising of additional funds for the next 12 months from the date of this report.

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

2. OTHER INCOME

	Half-Year Ended 31/12/19 \$	Half-Year⁽ⁱ⁾ Ended 31/12/18 \$
Profit on sale of assets (ii)	650,000	-
Unrealised foreign exchange gain	-	796
Other income	11,418	447
	<u>661,418</u>	<u>1,243</u>

(i) Refer note 1 for further information related to adjustment made to the prior period.

(ii) Proceeds from the sale of the Rover Gold Project

3. EXPLORATION AND EVALUATION EXPENDITURE

	Half-Year Ended 31/12/19 \$	Half-Year Ended 31/12/18 \$
Costs brought forward	6,442,897	5,341,279
Expenditure incurred during the year (net)	1,303,918	859,945
	<u>7,746,815</u>	<u>6,201,224</u>
Expenditure written off	(10,951)	(94,307)
	<u>7,735,864</u>	<u>6,106,917</u>

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been, or are likely to be, surrendered \$10,951 (2018: \$94,307).

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.

4. ISSUED CAPITAL

	Half-Year Ended 31/12/19 \$	Half-Year Ended 31/12/18 \$
Fully paid ordinary shares	46,750,446	41,232,953
Treasury shares	(94,125)	(122,920)
	46,656,321	41,110,033

Movement in issued shares for the year:

	Half-Year Ended 31/12/19 No.	Half-Year Ended 31/12/19 \$	Half-Year Ended 31/12/18 No.	Half-Year Ended 31/12/18 \$
<i>Fully paid ordinary shares</i>				
Balance at 1 July	1,355,499,211	42,879,479	896,028,227	40,148,298
Placement at 4.7 cents	85,046,790	3,997,199	-	-
Issue of shares as part payment of director fees	402,576	17,500	5,060,728	37,500
Exercise of listed options	3,961,510	47,538	-	-
Placement at 0.6 cents	-	-	183,333,333	1,100,000
Costs associated with the issue of shares	-	(273,243)	-	(75,493)
Related income tax	-	81,973	-	22,648
Balance at 31 December	1,444,910,087	46,750,446	1,084,422,288	41,232,953
<i>Treasury shares</i>				
Balance at 1 July	(9,940,000)	(122,920)	(9,940,000)	(122,920)
Change in treasury shares	2,999,500	28,795	-	-
Balance at 31 December	(6,940,500)	(94,125)	(9,940,000)	(122,920)
Total issued capital	1,437,969,587	46,656,321	1,074,482,288	41,110,033

5. SHARE OPTIONS

During the half-year ended 31 December 2019 the Company issued the following share options:

	Number	Exercise Price	Vesting Date	Expiry Date
Unlisted Share Options	59,000,000	\$0.064	28 November 2019	28 November 2022
Unlisted Share Options	20,000,000	\$0.075	28 November 2020	28 November 2023

The share options were granted to key management personnel, including directors, as well as employees and have been valued at the grant date using a Black-Scholes Model. At grant date, the share options were valued to a total of \$2.6 million, \$0.6 million of which pertains to the 20,000,000 share options which vest one year from the grant date and is recognised as share based remuneration expense for a period of one year.

6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2019.

7. 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.

8. SUBSEQUENT EVENTS

On 4 March 2020, the Company announced that it had met the Stage 1 expenditure commitment under the Poochera Joint Venture Heads of Agreement of \$3,000,000 within 2 years of execution of the agreement and had therefore moved to a 51% equity interest in the Project. The Company has elected to proceed immediately to Stage 2 under which Andromeda Metals will earn a further 24% interest on spending an additional \$3,000,000 by April 2023 on the Project. The Company will advance to an immediate 75% interest on a decision to mine, supported by a Bankable Feasibility Study, made by the joint venture partners.

There has not been any other matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group in future financial years.

9. OTHER NON-CURRENT LIABILITIES

The amount is a non-cash item and relates to deferred income (government grants received for exploration activities). This will be recognised as income when the corresponding capitalised expenditure is amortised or written-off.

Directors' Declaration

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) 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 consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to Section 303(5) of the Corporations Act 2001

On behalf of the directors



J E Marsh
Managing Director



A N Shearer
Non-Executive Director

Adelaide, South Australia
13th March 2020

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

We have reviewed the accompanying half-year financial report of Andromeda Metals Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 19.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Andromeda Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Andromeda Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Andromeda Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountants
Perth, 13 March 2020