



Andromeda

METALS

FINANCIAL REPORT

For the Half-Year Ended

31 December 2022

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Directors' Report

The names of the directors of Andromeda Metals Limited (the Company) during the half-year and as at the date of this report are:

Michael Wilkes Non-Executive Chair Remuneration Committee Chair	BEng(Hons), MBA, MAusIMM, MAICD
James E Marsh Managing Director	BSc (Hons), MAusIMM
Joseph F Ranford (Resigned 21/11/22) Operations Director	BEng (Mining), MBA, FAusIMM, GAICD, Grad Dip (Business Management)
Melissa K Holzberger Non-Executive Director, Sustainability & Governance Committee Chair	LLM Resources Law (Distinction), Dip. International Nuclear Law (Hons), LLB, BA, Grad Dip Legal Practice, GAICD, FGIA
Andrew Shearer (Resigned 24/08/22) Non-Executive Director,	BSc (Geology), Hons (Geophysics), MBA
Austen Perrin (Appointed 01/07/22) Non-Executive Director Audit and Risk Committee Chair	B. Econ. (Acc.), CA, GAICD

Operating and Financial Review

Strategy

To achieve the goal of delivering long-term shareholder returns, Andromeda Metals' directors have formulated a Company strategy comprising the following key elements:

Halloysite-Kaolin

- The Company will maintain its focus on advancing the Great White Project (GWP) through seeking to: obtain all required regulatory approvals; secure the necessary funding, supported by a Bankable Feasibility Study and an updated Definitive Feasibility Study; and move towards making a Final Investment Decision for eventual development and production.
- Planning will be progressed for a staged approach to development that closely matches the growth profile of volume commitments signed under offtake agreements, covering an initial halloysite-kaolin product range of semi-processed and processed, ahead of future planned expansion to increase production capacity and product range.
- Pursuing opportunities for the use of halloysite-kaolin in new products and applications, such as in the production of the critical mineral High Purity Alumina (HPA).
- These activities are underpinned by:
 - The GWP resources being among the world's largest halloysite-kaolin resources and, importantly, contain a rare and valuable naturally occurring blend of kaolinite plates and halloysite nanotubes.
 - The Directors continuing to see strong market dynamics for quality halloysite-kaolin

products. This includes increasing global demand, particularly in the Asia-Pacific region, along with increasing global scarcity driven by rapid resource depletion and market dislocation caused by ongoing geo-political factors.

Nanotechnologies

- The Company will continue to fund research and development to assist in the commercialisation of emerging nanotechnology opportunities in high-growth markets.

Metals

- The Company retains legacy gold and copper assets and believes it is in shareholders' best interests to enter joint venture arrangements for these projects, to allow Andromeda to focus on the advancement of the GWP, and to divest these assets when it makes sense to do so.
- To that end, Andromeda has entered into joint venture agreements with Cobra Resources PLC over the Eyre Peninsula Gold Project and with Environmental Metals Recovery Pty Ltd over the northern part of the Moonta Copper-Gold Project.
- The Company has also entered into an agreement to sell the Drummond Epithermal Gold Project, to Rush Resources Limited for approximately \$250,000 worth of fully paid ordinary shares in Rush, with one condition precedent remaining to be satisfied.

Corporate Governance and Sustainability

- 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.
- The Company acknowledges the importance of committing to and establishing an integrated approach to sustainability and consistent reporting on Environmental, Social and Governance (ESG) frameworks and factors. As the Company moves into production, its aspiration is to adopt, monitor and report on relevant frameworks and metrics that emerge from the developing consensus and convergence of ESG standards.

Financial Results

Income for the six months ending 31 December 2022 increased to \$1,101,586, representing a 2473% increase from the \$42,809 during the prior corresponding period (pcp). The increase was driven by accrued research and development incentives for activities conducted by the Company and additional interest income on bank deposits.

The net result of operations for the six months ending 31 December 2022 was a loss after income tax of \$4,117,507 (31 December 2021 loss of \$3,943,864).

Exploration and evaluation expenditure for the six months was \$4,087,775 (2021: \$1,840,471), the majority of which was directed towards the advancement of the Great White Project. In accordance with the Group's accounting policy, \$4,023,590 (2021: \$1,655,557) was capitalised and a total of \$64,185 (2021: \$184,914) was recognised in the profit and loss as a result of amounts expensed. Operating expenditure, excluding exploration and evaluation impairment and expenses for the six months totalled \$5,154,908 (2021: \$3,801,759) which is inclusive of the valuation of options and performance rights issued to directors. At 31 December 2022 the Company held cash and cash equivalents totalling \$23,912,233 (2021: \$42,816,255).

Review of Operations

During the period 1 July 2022 to 31 December 2022, the primary focus for Andromeda Metals has been to further advance its flagship Great White Project.

Great White Project (GWP)

Andromeda currently has a total of five signed binding offtake agreements that underpin the development of the GWP. The growth profile of these agreements and ongoing negotiations with several other potential customers provide confidence that further offtake agreements will be signed, with sales volumes quickly growing in line with the planned production profile as the Great White brand develops in the kaolin market.

During the period from 1 July 2022 to 31 December 2022, the following binding offtake agreements were signed, subject to standard conditions precedent:

- Two agreements for Great White KCM™90with:
 - Asia Minerals Resources of Hong Kong and Vietnam, for 31,000 tonnes, with a minimum of 23,500 and maximum of 38,500 tonnes, over the first three years of production, for sales into the ceramics sectors across Vietnam, Malaysia, Singapore, Bangladesh, India, Pakistan, Philippines, South Korea, Indonesia, Thailand and the UAE, and
 - Plantan Yamada, for 35,000 tonnes, with a minimum of 27,000 and up to a total of 43,000 tonnes, over the first three years of production, for sales into the ceramics sector of Japan.
- An agreement with IMCD for the exclusive sale in Australia and New Zealand of the Great White HRM™ concrete product and Great White SRM™ suspension aid product. The agreement is for a combined total of 22,500 tonnes over an initial term of three years, with a maximum of 30,000 and a minimum of 15,000 tonnes. IMCD also has the option to expand distribution across the Asia/Pacific region.

To support global product marketing efforts, a detailed concrete decarbonisation study was commissioned. The study by an independent concrete additives expert will quantify the cost and carbon footprint reductions offered by using Great White HRM™, in addition to quantifying performance improvements for end-user customers and market opportunity estimates. The analysis is expected to be completed during March 2023.

In August 2022, the Company signed binding land purchase agreements for the purchase of freehold land underlying the GWP's Mining Lease (ML 6532) and Miscellaneous Purposes Licence (MPL 164). Under the terms of the agreements, the private land within ML 6532 and MPL 164 are in the process of being subdivided, with existing property boundaries realigned to fit the GWP mine site footprint. Each agreement included a waiver for Exempt Land (under the Mining Act 1971), as required for the commencement of authorised operations.

During August 2022, the Company also submitted its Program for Environmental Protection and Rehabilitation (PEPR) to South Australia's Department for Energy and Mining (DEM) for subsequent approval. The PEPR, which DEM must approve before mining operations may commence, is the second step in the Government's two-stage assessment and approval process.

Following lodgement of the PEPR, DEM advised that it met the prescribed requirements and was distributed for assessment. In October 2022, a limited number of queries were raised through DEM, which were subsequently addressed by the Company.

Subsequent to the period, the Company received approval of the PEPR for the GWP from DEM.

Approval of the PEPR is a significant milestone and permits the processing of up to 300,000 tonnes per annum (tpa) of ore, producing up to a nominal 150,000 tpa of halloysite-kaolin products from the GWP. This covers anticipated production during the first 13 years of the mine's expected 28-year life-of-mine.

In approving the PEPR, DEM confirmed the payment of an environmental bond of \$3.79 million to secure the rehabilitation liability and approximately \$665,000 for the Native Vegetation Fund, are payable prior to the commencement of construction. By limiting the scope of the PEPR to the anticipated production during the first 13 years of operations, the Company significantly reduced the up-front cost of these items. The submission of a further PEPR will be required for subsequent expansion beyond the processing limit of 300,000 tpa.

The Company anticipates it will receive minor secondary approvals, such as EPA Works Approval, which are not required prior to the commencement of construction.

With the PEPR now approved, progression to the construction phase of the development of GWP is dependent on payments of both amounts for the environmental bond and the Native Vegetation Fund, the securing of required funding and a final investment decision (FID) being made.

During the period, samples continued to be produced for marketing purposes at the Streaky Bay pilot plant (SBPP). Additionally, its operations were enhanced through the installation of a pilot-scale drum washer, hydro-cyclones, thickener and filter press. This sees the pilot plant's flowsheet now replicate the flowsheet for the planned Stage 1A Starter Plant.

In light of the changed conditions through the impacts of the COVID-19 pandemic along with other geopolitical developments, the Company sought to further de-risk the GWP through refining the staged, scalable approach to developing the GWP detailed in the DFS. Accordingly, the initial development of a Starter Plant that more closely matches production to total commitments under signed offtake agreements, was deemed appropriate. The construction of the Stage 1A Starter Plant de-risks the project's development, reduces the initial up-front capital requirements and provides earlier cashflows than envisaged under the DFS.

At full production, the Stage 1A Starter Plant is planned to process a nominal rate of 100,000 tpa of ore and have a nominal production capacity of 50,000 tpa. The modular design is expected to see subsequent expansion ramp-up production from this base in line with the growth profile of both currently signed and future offtake agreements. The Company continues to aim to sign additional offtake agreements leading to subsequent expansion to the nominal processing capacity of 300,000 tpa of ore as outlined in Stage 1 of the DFS and now permitted following approval of the PEPR.

Capital costs for the initial Stage 1A Starter Plant are expected to be between \$50-60 million, which includes the cost of project infrastructure that will support future expansions.

During the period, Front End Engineering Design (FEED) and supporting construction plans for the Stage 1A Starter Plant were prepared for early-stage pioneering works. The Company continues to refine the budget, schedule and technical details for developing GWP, ahead of an anticipated FID being made.

The Company also progressed the procurement of long lead items for the Stage 1A Starter Plant. Tender documents were prepared, distributed and responses evaluated, and one order was placed in line with the Company's preparations for the delivery of all long lead items by late 2023.

In addition to the \$23.9 million in Cash and cash equivalents held at the end of the period, the Company progressed consideration of its future capital and operational funding requirements. Financing arrangements under consideration have included a range of debt and equity mix options, to support the financing of the project while also providing flexibility to pursue growth opportunities as they develop.

The Company expects to update the market on its preferred funding arrangements in the coming months and remains confident of securing the funding required to support an anticipated FID being made.

Research and development

To leverage the large, high-quality halloysite-kaolin resources underpinning the GWP, the Company conducts research and development into new emerging product and nanotechnology opportunities.

During the period, the Company continued to apply its structured Business Development Framework for the assessment and staged progression of targeted new product opportunities, including the critical mineral high purity alumina (HPA) and GWP halloysite-based nanomaterials.

Ongoing research and development activities to produce HPA based on an innovative process flowsheet to produce both HPA and Smelter Grade Alumina, were progressed. This led to the filing of a provisional patent during the period.

The Company also funds research by the Global Innovative Centre for Advanced Nanomaterials at the University of Newcastle into industry applications for GWP halloysite based nanomaterials. Potential industry applications include carbon capture and conversion, for which research led to an international Patent Co-operative Treaty application being filed by the Company's wholly owned entity Natural Nanotech Pty Ltd, for halloysite-derived nanomaterials used in the carbon dioxide capture process. These proprietary nanomaterials are planned to be incorporated into the Carbon Capture Pilot Plant.

Exploration - other industrial mineral projects

GWP – Regional Exploration (Andromeda 100%)

During the period, a regional passive seismic survey was trialled adjacent to ML 6532, as a method of defining kaolin targets before drilling to minimise exploration impacts in areas of native vegetation. Following a prospectivity review of the Whichelby tenement (EL 6096), Andromeda chose not to renew the exploration licence and allowed it to expire.

Eyre Kaolin Project (Andromeda is currently farming in under Stage 1 to earn a 51% interest by expending \$750,000 by November 2024)

Following a geological review of Australia and especially the Eyre Peninsula, the ground held by Peninsula Exploration Pty Ltd (Peninsula) was identified as containing halloysite-kaolin targets like those found at numerous locations across the Great White Project and Mount Hope Kaolin Project ground. In particular there are four exploration licences held by Peninsula and are adjacent to, or near, tenements that comprise the Great White Project (Eyre Kaolin Project).

Under a binding Heads of Agreement (HOA) signed with Peninsula, the Company is currently farming in under Stage 1 to earn a 51% interest in the Eyre Kaolin Project by expending \$750,000 by November 2024.

During the period, preliminary results from drill testing conducted during April-May 2022 at two kaolin prospects on the Eyre Kaolin Project, Chairlift and Halfpipe, were assessed.

At the Chairlift Prospect, located on tenement EL 6664, an Exploration Target of 80-120Mt of High Bright White kaolin (ISO B in the range of 80 to 84) was defined. This is based on the brightness (ISO B) analyses from 8 of the 28 aircore drillholes completed for 896 metres. The potential quantity and grade of the Chairlift Exploration Target is conceptual in nature as there has been insufficient drilling results to estimate a Mineral Resource, and it is uncertain if further exploration drilling will result in the estimation of a Mineral Resource.

At the Halfpipe prospect, a total of 24 aircore holes for 1,173m were drilled. Most analyses were received, except for the brightness test results. The analyses identified a minimum of 20% halloysite in 12 drillholes.

The Chairlift and Halfpipe halloysite results were the first reported results using a proprietary method developed by the Company for halloysite determination. The method was developed as a cost-effective and timely method for grade control to support operational planning at the GWP.

Metals**Wudinna Gold Project (Andromeda farm-out 35%)**

Heads of Agreement partner Cobra Resources PLC (Cobra) received assay results from drilling undertaken in June 2022 and progressed the re-analysis of historic drill holes for rare earth elements.

Subsequent to 31 December 2022, Cobra announced the results from a Reverse Circulation drilling program and a maiden Rare Earth Elements Mineral Resource Estimate of 20.9 Mt at 658 ppm Total Rare Earth Oxides near a defined 94,000oz gold resource at the Baggy Green and Clarke prospects.

Cobra continues to investigate the potential for economic extraction of both commodities. Following the completion of this assessment, Andromeda will assess the results.

Moonta Copper Gold Project (Andromeda partial farm-out 100%)

During the period, the Company conducted a review of the Moonta Copper Gold Project, utilising existing drilling results to assess the in-situ recovery potential of 100% Andromeda-held copper prospects.

Drummond Epithermal Gold Project (Andromeda 100%)

To realise maximum shareholder value for the Drummond Epithermal Gold Project (Drummond), the Company has entered into an agreement for the sale of Drummond to Rush Resources Limited (Rush) for approximately \$250,000 worth of fully paid ordinary shares in Rush.

The agreement is subject to the following remaining conditions precedent:

- completion of due financial, legal and technical due diligence by Rush,
- Rush undertaking a capital raising and receiving valid applications for at least \$4,000,000 worth of shares, and
- The ASX provides in-principle conditional approval for Rush's admission to the official list of the ASX and the quotation of its shares.

Rush has made the following progress in meeting these conditions:

- confirmed completion of its financial, legal and technical due diligence, and
- received in-principle conditional approval for Rush's admission to the official list of the ASX for the quotation of its shares.

Rush is making progress toward meeting the final condition and is currently planning for the release of the prospectus and IPO capital raising.

Completion of the transaction is expected to occur five business days after the date on which all the above conditions are either satisfied or waived.

Outlook and Future Developments

Looking forward, the Company's primary focus will be directed towards further advancing the Great White Project, through the following:

- Complete a detailed concrete decarbonisation study to promote and support the global product marketing efforts for the Great White HRM™ concrete additive
- Finalise binding offtake agreements for the remainder of planned production
- Complete a Bankable Feasibility Study to support the securing of debt funding
- Complete an updated Definitive Feasibility Study to secure any remaining funding requirements through equity
- Upgrade the GWP halloysite-kaolin Mineral Resource and Ore Reserve
- Subject to securing the required funding and FID, progress with construction on the Great White Project
- Progress research and development for the use of halloysite in emerging nanotechnology opportunities, and
- Continue exploration activities on other prospects.

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 COVID-19 pandemic affecting Australia and the world has had some impact on the Group's operations to date with travel to meet with potential customers to progress the formalisation of binding offtake agreements and processing of Great White material for customer testing, and challenges associated with maintaining government recommended social distancing practices being the key areas the Group has had to consider. The Company's COVID-19 management plan has been established to address the ongoing potential future impact. The Group will continue to monitor and manage the impact on its operations.

Competent Persons 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 undertaking 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.

Information in this report that relates to the Exploration Results for the Great White Kaolin Project and Mt Hope Halloysite-Kaolin Project is based on information evaluated 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.

Subsequent Events

Subsequent to 31 December 2022, the Company strengthened executive management capacity and capabilities by announcing that James Marsh, currently Managing Director, will transition to Executive Director, Sales and Marketing and that Robert (Bob) Katsioularis has been appointed as Managing Director and Chief Executive Officer (CEO), with both changes anticipated to occur in April this year.

Bob has significant operational and commercial experience in the international minerals and base metals industry, across a 25-year career based in Canada, United States and Europe.

Additionally, Sarah Clarke was appointed as General Counsel & Company Secretary on the 16th January 2023 with the incumbent Company Secretary, Andrea Betti, ceasing on 31 January 2023.

In January 2023, the Company announced that Michael Zannes had resigned as Chief Financial Officer, to pursue another opportunity, effective 3 March 2023. An executive search process is underway. To ensure a seamless transition, Non-executive Director, Austen Perrin will have oversight of the Company's finance function until a new CFO is appointed.

Most recently, the Company achieved a significant milestone with the PEPR for the GWP being approved by DEM. Approval of the PEPR permits the processing of up to 300,000 tpa of ore, producing up to a nominal 150,000 tpa of halloysite-kaolin products from the GWP. This covers anticipated production during the first 13 years of the mine's expected 28-year life-of-mine.

Other Matters

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 12 of the half-year financial report.

Dated at Adelaide this 15th day of March 2023 and signed in accordance with a resolution of the directors.



James E Marsh
Managing Director



Michael Wilkes
Non-Executive Chair

15 March 2023

The Board of Directors
Andromeda Metals Limited
431 King William Street
ADELAIDE SA 5000

Dear Board Members,

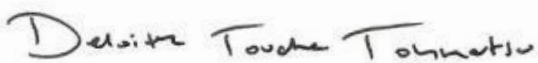
Auditor's Independence Declaration to Andromeda Metals Limited

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.

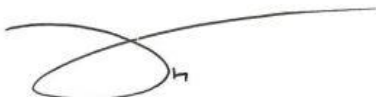
As lead audit partner for the review of the financial report of Andromeda Metals Limited for the half year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Darren Hall
Partner
Chartered Accountants

**Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income
for the Half-Year ended 31 December 2022**

	Note	Half-Year Ended 31/12/22	Half-Year Ended 31/12/21
		\$	\$
Other income	2	1,101,586	42,809
Exploration and evaluation expenditure expensed	3	(64,185)	(184,914)
Administration expenses		(955,335)	(758,717)
Corporate consulting expenses		(717,753)	(744,840)
Company promotion		(30,835)	(45,143)
Salaries and wages		(991,057)	(318,182)
Directors fees		(220,217)	(92,955)
Research & Development		(1,915,205)	-
Share based remuneration	5	(324,506)	(1,602,385)
Share of loss of joint venture		-	(239,537)
Loss before income tax		(4,117,507)	(3,943,864)
Income tax expense		-	-
Loss for the period		(4,117,507)	(3,943,864)
Other comprehensive income		-	-
Total comprehensive loss for the period		(4,117,507)	(3,943,864)
Earnings Per Share			
Basic (cents per share) – (Loss)		(0.13)	(0.16)
Diluted (cents per share) – (Loss)		(0.13)	(0.16)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Financial Position
as at 31 December 2022**

	Note	31/12/22 \$	30/06/22 \$
CURRENT ASSETS			
Cash and cash equivalents		23,912,233	32,853,203
Trade and other receivables		2,387,851	1,247,211
Assets classified as held for sale		250,000	250,000
TOTAL CURRENT ASSETS		26,550,084	34,350,414
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	3	141,155,038	137,367,031
Property, plant and equipment		2,334,778	2,134,319
Other financial assets		324,710	372,224
TOTAL NON-CURRENT ASSETS		143,814,526	139,873,574
TOTAL ASSETS		170,364,610	174,223,988
CURRENT LIABILITIES			
Trade and other payables		1,824,246	1,966,169
Provisions		278,121	185,337
Lease liabilities		171,502	165,974
TOTAL CURRENT LIABILITIES		2,273,869	2,317,480
NON-CURRENT LIABILITIES			
Provisions		99,644	35,498
Lease liabilities		593,252	680,163
TOTAL NON-CURRENT LIABILITIES		692,896	715,661
TOTAL LIABILITIES		2,966,765	3,033,141
NET ASSETS		167,397,845	171,190,847
EQUITY			
Issued capital	4	219,840,120	219,250,120
Reserves		5,158,146	6,865,285
Accumulated losses		(57,600,421)	(54,924,558)
TOTAL EQUITY		167,397,845	171,190,847

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 2022

	Issued capital	Share Option Reserve	NCI Acquisition Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2022	219,250,120	5,938,472	926,813	(54,924,558)	171,190,847
Loss for the period	-	-	-	(4,117,507)	(4,117,507)
Total comprehensive income (loss) for the period	-	-	-	(4,117,507)	(4,117,507)
Shares issued on the exercise of unlisted performance rights	590,000	(590,000)	-	-	-
Fair value of options issued to directors	-	293,481	-	-	293,481
Fair value of options issued to employees	-	61,132	-	-	61,132
Fair value of performance rights issued to employees	-	176,516	-	-	176,516
Performance Rights Expired of Forfeited	-	(206,624)	-	-	(206,624)
Options Expired or Forfeited	-	(1,441,644)	-	1,441,644	-
Balance at 31 December 2022	219,840,120	4,231,333	926,813	(57,600,421)	167,397,845
Balance at 1 July 2021	56,929,522	5,838,594	-	(46,278,906)	16,489,210
Loss for the period	-	-	-	(3,943,864)	(3,943,864)
Total comprehensive income (loss) for the period	-	-	-	(3,943,864)	(3,943,864)
Issue of Share Capital through placement	44,999,913	-	-	-	44,999,913
Costs Associated with the issue of shares	(2,300,962)	-	-	-	(2,300,962)
Shares issued on the exercise of unlisted options	1,578,550	(1,016,550)	-	-	562,000
Fair value of options issued to directors	-	25,976	-	-	25,976
Fair value of performance rights issued to directors	-	1,482,337	-	-	1,482,337
Fair value of options issued to employees	-	9,688	-	-	9,688
Fair value of performance rights issued to employees	-	340,528	-	-	340,528
Share based payment expired	-	(256,145)	-	-	(256,145)
Balance at 31 December 2021	101,207,023	6,424,428	-	(50,222,770)	57,408,681

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 2022**

	Note	Half-Year Ended 31/12/22 Inflows (Outflows) \$	Half-Year Ended 31/12/21 Inflows (Outflows) \$
Cash flows related to operating activities			
Government grants received		-	-
Payments to suppliers and employees		(4,476,554)	(2,792,301)
Net cash used in operating activities		(4,476,554)	(2,792,301)
Cash flows related to investing activities			
Interest received		107,463	3,317
Government grants received		-	631,883
Payment/Refund for Bank Guarantee		32,523	(125,525)
Payments for exploration and evaluation expenditure		(4,165,207)	(1,981,457)
Payments for plant and equipment		(331,599)	(56,914)
Payment for investment in Joint Venture		-	(229,035)
Payment received from joint venture partner		-	448,298
Loans advanced to Minotaur Exploration		-	(475,000)
Payments related to asset acquisition		-	(498,052)
Net cash used in investing activities		(4,356,820)	(2,282,485)
Cash flows related to financing activities			
Proceeds from shares and equity options issued		-	45,331,912
Lease payments		(94,490)	(43,763)
Interest paid		(13,106)	(865)
Payments for capital raising costs		-	(2,300,962)
Net cash (used in)/provided by financing activities		(107,596)	42,986,322
Net increase/(decrease) in cash and cash equivalents		(8,940,970)	37,911,536
Cash and cash equivalents at beginning of financial period		32,853,203	4,904,719
Cash and cash equivalents at end of financial period		23,912,233	42,816,255

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 2022

1. BASIS OF ACCOUNTING

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 2022 annual financial report, other than as disclosed below.

In the current period, there were no 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 2022.

Going Concern

The interim financial statements have been prepared on a 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 financial half-year ended 31 December 2022, the Group incurred a net loss of \$4,117,507 (31 December 2021: \$3,943,864) and experienced a net cash outflow from operating activities of \$4,476,554 (31 December 2021: outflow \$2,792,301) and a net cash outflow from investing activities of \$4,356,820 (31 December 2021: outflow \$2,282,485).

At 31 December 2022 the Group has cash reserves of \$23,912,233 (30 June 2022: \$32,853,203).

The Group has prepared a cash flow forecast for the period ending 30 June 2024. The forecast indicates that the Group will have sufficient funding to meet all expected cash outflows, including its currently envisaged exploration and evaluation activities with the strategic objective of advancing the Great White Project towards the anticipated final investment decision during the forecast period. The forecast however does not assume that a final investment decision is made, nor that development activities commence during the forecast period.

When the final investment decision is made in relation to the Great White Project, the cash flow forecast will be updated to identify additional funding required i.e. Debt and/or equity.

The directors are satisfied therefore, that the going concern basis of preparation is appropriate.

2. OTHER INCOME

	Half-Year Ended 31/12/22 \$	Half-Year Ended 31/12/21 \$
Interest income on bank deposits	186,218	20,829
Research and development incentives (i)	914,158	-
Other	1,210	21,980
	<u>1,101,586</u>	<u>42,809</u>

- (i) Research & Development tax incentive accrued of \$914,158 relating to Research & Development expenditure.

3. EXPLORATION AND EVALUATION EXPENDITURE

	Half-Year Ended 31/12/22 \$	Year Ended 30/06/22 \$
Costs brought forward	137,367,031	11,316,819
Expenditure incurred during the period (net)	4,023,590	3,714,818
Acquisition additions of Minotaur	-	124,066,962
Research and development incentives (i)	(171,398)	(1,041,224)
	<u>141,219,223</u>	<u>138,057,375</u>
Exploration impaired	-	(422,114)
Exploration written off	(64,185)	(18,230)
Transfer to assets held for sale	-	(250,000)
	<u>141,155,038</u>	<u>137,367,031</u>

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.

Exploration and evaluation expenditure expensed

Exploration and evaluation expenditure expensed relates to exploration activities, such as regional exploration to identify new exploration targets where no tenure is currently held by the Group. Such expenditure is expensed as incurred in accordance with the requirements of AASB 6.

- (i) *Research and Development incentives are made up of amounts receivable relating to Government R&D incentives for expenditure directly associated with the Great White Project.*

4. ISSUED CAPITAL

	Half-Year Ended 31/12/22 \$	Half-Year Ended 31/12/21 \$
Fully paid ordinary shares	219,892,341	101,259,244
Treasury shares	(52,221)	(52,221)
	<u>219,840,120</u>	<u>101,207,023</u>

Movement in issued shares for the year:

	Half-Year Ended 31/12/22 No.	Half-Year Ended 31/12/22 \$	Half-Year Ended 31/12/21 No.	Half-Year Ended 31/12/21 \$
<i><u>Fully paid ordinary shares</u></i>				
Balance at 1 July	3,108,008,432	219,302,341	2,160,727,827	56,981,743
Placement at 15.0 cents	-	-	299,999,219	44,999,913
Exercise of unlisted options	2,000,000	590,000	23,000,000	1,578,550
Costs associated with the issue of shares	-	-	-	(2,300,962)
Balance at 31 December	<u>3,110,008,432</u>	<u>219,892,341</u>	<u>2,483,727,046</u>	<u>101,259,244</u>
<i><u>Treasury shares</u></i>				
Balance at 1 July	(2,107,500)	(52,221)	(2,107,500)	(52,221)
Change in treasury shares	-	-	-	-
Balance at 31 December	<u>(2,107,500)</u>	<u>(52,221)</u>	<u>(2,107,500)</u>	<u>(52,221)</u>
Total issued capital	<u>3,107,900,932</u>	<u>219,840,120</u>	<u>2,481,619,546</u>	<u>101,207,023</u>

5. SHARE OPTIONS AND PERFORMANCE RIGHTS

Half-year ended 31 December 2022

During the half-year ended 31 December 2022 the Company did not issue any share options or performance rights.

Half-year ended 31 December 2021

During the half-year ended 31 December 2021 the Company issued the following share options:

	Number	Exercise Price	Vesting Date	Expiry Date
Unlisted Share Options	6,160,000	\$0.2375	31 December 2023	31 December 2025
Unlisted Share Options	273,333	\$0.0000	30 June 2022	31 December 2025
Unlisted Share Options	273,333	\$0.0000	30 June 2023	31 December 2025
Unlisted Share Options	273,333	\$0.0000	30 June 2024	31 December 2025

The share options were granted to key management personnel and directors 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 \$0.686 million.

During the half-year ended 31 December 2021 the Company issued the following performance rights:

	Number	Vesting Condition	Expiry Date
Performance rights (EIP)	3,820,000	Commencement of mining at the Great White Deposit (or equivalent deposit)	23 December 2023
Performance rights (EIP)	1,819,475	First shipment of kaolin product	23 December 2023
Performance rights (EIP)	750,000	Various individual performance hurdles	31 December 2023
Performance rights (EIP)	2,625,000	Various kaolin shipment volume targets	30 June 2024
Performance rights (Directors)	2,760,000	Various kaolin shipment volume targets	30 June 2024

The performance rights were granted to various employees (under the Employee Incentive Plan) and to executive directors for no cash consideration. At grant date, the performance rights were valued to a total of \$1.884 million, which vest in the tranches above, with the expense recognised in profit or loss over the estimated period to achieve each vesting condition. The vesting conditions are subject to an expiry date as stated above and require continued services.

6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent assets from those disclosed in the annual report for the year ended 30 June 2022.

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 commodity 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

Subsequent to 31 December 2022, the Company strengthened executive management capacity and capabilities by announcing that James Marsh, currently Managing Director, will transition to Executive Director, Sales and Marketing and that Robert (Bob) Katsioularis has been appointed as Managing Director and Chief Executive Officer (CEO), with both changes anticipated to occur in April this year.

Bob has significant operational and commercial experience in the international minerals and base metals industry, across a 25-year career based in Canada, United States and Europe.

Additionally, Sarah Clarke was appointed as General Counsel & Company Secretary on the 16th January 2023 with the incumbent Company Secretary, Andrea Betti ceasing on 31 January 2023.

In January 2023, the Company announced that Michael Zannes had resigned as Chief Financial Officer, to pursue another opportunity, effective 3 March 2023. An executive search process is underway. To ensure a seamless transition, Non-executive Director, Austen Perrin will have oversight of the Company's finance function until a new CFO is appointed.

Most recently, the Company achieved a significant milestone with the PEPR for the GWP being approved by DEM. Approval of the PEPR permits the processing of up to 300,000 tpa of ore, producing up to a nominal 150,000 tpa of halloysite-kaolin products from the GWP. This covers anticipated production during the first 13 years of the mine's expected 28-year life-of-mine.

Other Matters

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.

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



Michael Wilkes
Non-Executive Chair

Adelaide, South Australia
15th March 2023

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

Conclusion

We have reviewed the half-year financial report of Andromeda Metals Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2022, 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 as set out on pages 13 to 22.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2022 and of 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with 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 annual 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 Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

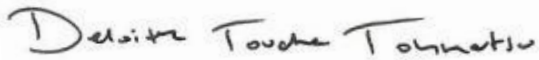
Directors' Responsibilities for the Half-year Financial Report

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.

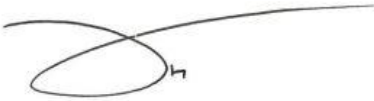
Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2022 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*.

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.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A stylized handwritten signature in black ink, consisting of a large loop and a horizontal line extending to the right.

Darren Hall
Partner
Chartered Accountants

15 March 2023