



Andromeda

METALS

FINANCIAL REPORT

For the Half-Year Ended

31 December 2020

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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

Joseph F Ranford
Operations Director

BEng (Mining), MBA, FAusIMM, GAICD

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 of advancing the Great White Kaolin Project through Definitive and Bankable Feasibility Studies to eventual development and production, should final modelling determine this to be commercially viable. Consideration of a combination of production streams, including direct shipping of raw ore to be toll refined overseas and wet-processing on site for sale of products to overseas ceramic manufacturers, in addition to other possible additional markets, will be evaluated. The Directors see a strong market for quality halloysite-kaolin product along with a decline in supply. New markets such as concrete and HPA will be pursued, as the Great White Project is a world-class deposit capable of supplying the large mature existing markets along with these new developing markets.
- The Company will fund research to assist in the development of new market opportunities for halloysite-kaolin given the high purity halloysite found at Great White, Camel Lake and potentially Mount Hope along with 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 of the advancement of the Great White Project. To that end, the Company has entered into joint venture arrangements with 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 2020 was a loss after income tax of \$2,359,997 (2019: loss of \$2,109,501).

Exploration and evaluation expenditure for the six months was \$1,857,726 (2019: \$1,303,918), the majority of which was directed towards the advancement of the Great White Kaolin Project. In accordance with the Group's accounting policy, \$1,799,265 (2019: \$1,292,967) was capitalised and a total of \$58,461 (2019: \$10,951) was recognised in profit or loss as a result of amounts impaired or expensed. Operating expenditure, excluding exploration and evaluation impairment and expenses for the six months totalled \$2,359,562 (2019: \$2,677,995) which is inclusive of the valuation of options and performance rights issued to directors. At 31 December 2020 the Company held cash and cash equivalents totalling \$7,938,414 (2019: \$4,367,316).

Review of Operations

During the half-year ended 31 December 2020 Andromeda Metals' main focus has been to further progress the Great White Kaolin Project with the finalisation of the mining lease application and progress on the Definitive 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.

Great White Kaolin Project

The Company formally earned a 75% equity interest in the Great White Kaolin Project during the 6 month period to 31 December 2020 after confirmation was received from joint venture partner Minotaur Exploration Limited (ASX: MEP) that ADN had met the Stage 2 expenditure requirement. Minotaur have advised that they intend to hold their 25% interest in the Project from this point and hence are now contributing 25% of Project expenditures going forward.

An updated Mineral Resource for the Great White Deposit was completed during the half year which is now 34.6Mt of in-situ Bright White kaolinised granite (5.7Mt Measured, 14.2Mt Indicated and 14.7Mt Inferred), representing an increase of 8.6Mt or 33% over the previous estimate, to yield 17.4Mt of minus 45 micron quality kaolin product. The new resource contains two sub-domains consisting of a halloysite zone (15.9Mt) and an Ultra Bright high-purity kaolin zone (1.2Mt) which shows exceptionally low iron contaminant and is potentially ideally suited to high-value markets in specialist coatings and polymers.

A maiden Great White Deposit Ore Reserve was also reported during the half year of 12.5Mt of Bright White kaolinised granite classified as Probable Reserve comprising 15% halloysite and 75% kaolinite in the minus 45 micron fraction.

Assay results received from aircore drilling undertaken at Hammerhead has defined an extensive area of Bright White kaolin (>75 ISO Brightness) with a minimum thickness of 10 metres extending over an area of 2.4 kms by 0.5 kms. An inaugural Inferred Mineral Resource for the Hammerhead Deposit was subsequently calculated during the half year of 51.5Mt of Bright White kaolinised granite yielding 27.1Mt of minus 45 micron quality kaolin product. The Resource contains a sub-domain of 4.7Mt of high halloysite-kaolin of +20% with the deposit very similar to the Great White Deposit 5 kms to the south and perfectly suited for the high-quality porcelain ceramics market.

Over the half-year the Company tested Great White halloysite-kaolin across a number of concrete application mix designs with positive results achieved. Clear strength gains and important handling and performance improvements to concrete through the addition of halloysite-kaolin was observed, representing an additional significant domestic and global market opportunity to the high-value ceramics market. In addition, testing of ultra-high purity kaolin sourced from the Great White deposit has delivered exceptional ISO brightness results that are superior to current market leading products making this material ideally suited to the high-value coatings and polymer markets.

Experienced Asian marketing group Conrad Partners were engaged by the Company to drive the execution of binding offtake agreements in China and to source toll refining facilities. In addition, Origin Capital were appointed to assist the joint venture partners in working towards meeting the requirements for a Bankable Feasibility Study (BFS) that is required under the Joint Venture Agreement.

Significant progress was made over the six month period to 31 December 2020 to complete the Mining Lease application (MLA) and Definitive Feasibility Study (DFS), with the MLA submitted subsequent to the end of the half-year in February 2021 and the DFS on track for completion in the second quarter of 2021.

Following positive meetings during the period held with the Maralinga Tjarutja Council, who are the traditional landowners on which the Camel Lake tenement is located, an initial site inspection of targeted areas at Camel Lake occurred in January 2021. Once a formal site access agreement is executed, it is envisaged that field exploration at Camel Lake will occur later in the calendar year.

Mount Hope Kaolin Project

Assay results from aircore drilling at Mount Hope undertaken in April 2020 identified significant areas of Ultra-High Bright White kaolin with exceptionally low iron contaminant providing a further potential additional high value market opportunity in specialist coatings and polymers. A new Inferred Mineral Resource for Mount Hope of 18.0Mt of Bright White kaolinised granite was subsequently estimated using an ISO Brightness R457 cut-off of 75, yielding 7.5Mt of minus 45 micron quality kaolin product.

Natural Nanotech Joint Venture

Experimentation by the University of Newcastle's Global Innovative Center for Advanced Nanomaterials funded by Natural Nanotech, a joint venture between Andromeda and Minotaur, continued on optimising the conversion process for high halloysite kaolin into a variety of functionalised nano-porous structures, including C₆₀ and C₇₀ fullerenes.

With the combination of tuneable pores, high surface area, high-temperature stability, high charge-discharge capability and conductivity, the resultant nanomaterials have potential application in batteries, supercapacitors technologies, as antimicrobial agents in water treatment, in carbon capture-storage and in hydrogen storage-transport. As part of this program, a demonstration of battery cell based on halloysite-derived nanocarbon matrix is being prepared, and assembly of various components for a CO₂ capture pilot plant is underway.

Drummond Epithermal Gold Joint Venture

During the half year, Evolution Mining Limited (Evolution) completed an RC drilling program 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. A total of 4 RC pre-collar holes with diamond tails for 980 metres were drilled with unfortunately no significant intercepts encountered.

As a consequence of these latest results, subsequent to the end of the half year Evolution advised the Company that it had decided to withdraw from the joint venture and return the Project to 100%

Andromeda ownership, which it is entitled to do as expenditure on the Project has significantly exceeded the required minimum amount under the joint venture terms. In total Evolution spent approximately \$4.3M since September 2018 on the Drummond Project with drilling undertaken at the Bunyip and South West Limey targets, but with minimal success. In addition, Evolution also paid the Company a total of \$500,000 in two instalments at the commencement of each of the 2 stages defined under the joint venture agreement.

The Company will now fully assess the results achieved under the joint venture and make a decision on how best to now advance the Project.

Eyre Peninsula Gold Joint Venture

Joint venture partner Cobra Resources PLC completed a 41 hole 6,090 metre RC drilling program targeting a number of prospects across the Project during the half year period.

A significant gold intercept was returned of 31 metres at 3.06 g/t gold from 69 metres, including 15 metres at 5.35 g/t gold from 83 metres, at the Clarke deposit, which is located 1.75 kms north of the Baggy Green deposit and north of mineralization previously intersected at Clarke and which represents a high priority target for a future joint venture program. Some further good results from the drilling program were recorded at both Barns and Baggy Green including 9 metres at 1.07 g/t gold at Baggy Green and 3.25 g/t gold over 13 metres, including 1 metre at 33.60 g/t gold with 7.25 g/t silver and 1.71% copper, 8 g/t gold over 3 metres and a number of other solid gold intercepts returned at Barns. Cobra is now analysing the results of the full drilling program with a view to updating the geological interpretation and resource modelling at Baggy Green and Barns as well as consideration of further drilling to define a future maiden resource at Clarke.

With the completion of the RC drilling program, Cobra has now met the Stage 1 expenditure commitment under the joint venture and therefore earned a 50% equity interest in the Eyre Peninsula Gold Project tenements.

Moonta Copper ISR Joint Venture

Joint venture partner Environmental Metals Recovery Pty Ltd (EMR) continued to make steady progress over the half year. Additional leach testwork was carried out using lixiviants in a range of pH conditions with generally positive results achieved. In addition, a hydrogeological study undertaken has confirmed that high flow areas coincide with the mineralised zones identified and that the groundwater is extremely saline and unfit for other uses, while hylogger test results of the Wombat core has determined that the clay species found is kaolinite which is ideal for leaching copper and gold and hence supporting the view that good metal recoveries could be obtained under ISR application.

Pilbara Gold Project

During the half year, the Pilbara Gold Project was reviewed by a number of third parties with the objective of formalising a deal over the ground, but no offers were received.

As a result, the Company formally relinquished the Pilbara tenements in February 2021 given the Group's focus is directed towards development of the Great White Kaolin Project. All amounts capitalized in relation to the Pilbara Gold Project were impaired at 30 June 2020, with any further expenditure incurred during the current half-year also being impaired. The carrying value as at 31 December 2020 is nil (30 June 2020: nil).

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 by the end of the second quarter of 2021;
- Progress regulatory permitting and approval processes through to mining approval and commencement of operations in February 2022;
- Progress opportunities in concrete and coatings markets;
- Continue exploration activities on other prospects in the Poochera district including an upgrade of the Hammerhead Resource;
- Commence exploration activities at the Camel Lake high-purity halloysite Prospect;
- Progress halloysite nanotechnology opportunities through the halloysite research joint venture with Minotaur Exploration.

In addition, the Company will:

- Upgrade the 100% owned Mount Hope Halloysite-Kaolin Resource;

COVID-19

The ongoing 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.

The information in this report that relates to Ore Reserves is based on and fairly represents information and supporting documentation compiled by Paul Griffin, BMinTech, GradDip(Tech)Man, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM Member No. 100234). Paul Griffin is an Employee and Director of MinEcoTech Pty Ltd and is retained as a consultant and study manager by Andromeda Metals Limited. Paul Griffin holds options in Andromeda Metals Limited. Paul Griffin 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'. Paul Griffin 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 21 January 2021, Evolution Mining Limited formally advised of its withdrawal from the Drummond Epithermal Gold Joint Venture in north Queensland with the Project reverting back to 100% ownership by the Company. In February, the Company relinquished the four tenements held in the Pilbara district of Western Australia which comprised the Company's Pilbara Gold Project.

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 9 of the half-year financial report.

Dated at Adelaide this 16th day of March 2021 and signed in accordance with a resolution of the directors.



James E Marsh
Managing Director



A N Shearer
Non-Executive Director

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

16 March 2021

Dear Board Members

Auditor's Independence Declaration to Andromeda Metals Ltd

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 year half year ended 31 December 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 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 2020**

	Note	Half-Year Ended 31/12/20	Half-Year Ended 31/12/19
		\$	\$
Other income	2	58,026	661,418
Impairment of exploration and evaluation expenditure	3	(35,898)	(10,951)
Exploration and evaluation expenditure expensed	3	(22,563)	-
Administration expenses		(438,913)	(274,728)
Corporate consulting expenses		(344,323)	(149,620)
Company promotion		(53,375)	(61,063)
Salaries and wages		(38,088)	(37,020)
Directors fees		(55,000)	(44,583)
Share based remuneration	6	(1,257,937)	(2,110,981)
Share of loss of joint venture	4	(171,926)	-
Loss before income tax		(2,359,997)	(2,027,528)
Income tax expense		-	(81,973)
Loss for the period		(2,359,997)	(2,109,501)
Other comprehensive income		-	-
Total comprehensive income (loss) for the period		(2,359,997)	(2,109,501)
Earnings Per Share			
Basic (cents per share) – (Loss)		(0.13)	(0.15)
Diluted (cents per share) – (Loss)		(0.13)	(0.15)

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 2020**

	Note	31/12/20 \$	30/06/20 \$
CURRENT ASSETS			
Cash and cash equivalents		7,938,414	2,998,626
Trade and other receivables		106,825	84,997
TOTAL CURRENT ASSETS		8,045,239	3,083,623
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	3	11,017,756	9,218,491
Plant and equipment		155,431	150,547
Other financial assets		74,558	74,500
Investment in joint venture	4	184,164	157,964
TOTAL NON-CURRENT ASSETS		11,431,909	9,601,502
TOTAL ASSETS		19,477,148	12,685,125
CURRENT LIABILITIES			
Trade and other payables		548,321	626,274
Lease liabilities - current		72,994	70,851
Other liabilities		24,847	12,178
TOTAL CURRENT LIABILITIES		646,162	709,303
NON-CURRENT LIABILITIES			
Provisions		30,679	26,632
Lease liabilities – non-current		6,187	43,024
Other liabilities	10	1,231,796	975,517
TOTAL NON-CURRENT LIABILITIES		1,268,662	1,045,173
TOTAL LIABILITIES		1,914,824	1,754,476
NET ASSETS		17,562,324	10,930,649
EQUITY			
Issued capital	5	55,626,561	47,826,518
Reserves		4,131,367	2,939,738
Accumulated losses		(42,195,604)	(39,835,607)
TOTAL EQUITY		17,562,324	10,930,649

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 2020

	Issued capital	Share Option Reserve	Employee Equity- Settled Benefits Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
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 (loss) 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 to directors and employees	-	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
Balance at 1 July 2020	47,826,518	2,939,738	-	(39,835,607)	10,930,649
Loss attributable to the period	-	-	-	(2,359,997)	(2,359,997)
Total comprehensive income (loss) for the period	-	-	-	(2,359,997)	(2,359,997)
Shares issued on the exercise of listed options	7,436,523	(66,308)	-	-	7,370,215
Shares issued on the exercise of unlisted options	363,520	-	-	-	363,520
Fair value of options issued to directors	-	291,631	-	-	291,631
Fair value of performance rights issued to directors	-	966,306	-	-	966,306
Balance at 31 December 2020	55,626,561	4,131,367	-	(42,195,604)	17,562,324

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 2020

	Note	Half-Year Ended 31/12/20 Inflows (Outflows) \$	Half-Year Ended 31/12/19 Inflows (Outflows) \$
Cash flows related to operating activities			
Government grants received		62,000	-
Payments to suppliers and employees		(797,675)	(152,336)
Net cash used in operating activities		(735,675)	(152,336)
Cash flows related to investing activities			
Interest received		7,762	19,040
Government grants received		317,479	-
Payments for exploration and evaluation expenditure		(2,424,950)	(1,147,398)
Payment for investment in Joint Venture	4	(198,126)	-
Payment received from joint venture partner		324,732	200,000
Payments for plant and equipment		(49,169)	(21,467)
Net cash used in investing activities		(2,022,272)	(949,825)
Cash flows related to financing activities			
Proceeds from shares and equity options issued		7,733,735	4,073,532
Lease payments		(34,693)	-
Interest paid		(1,307)	-
Payments for capital raising costs		-	(273,243)
Net cash provided by financing activities		7,697,735	3,800,289
Net increase in cash and cash equivalents		4,939,788	2,698,128
Cash and cash equivalents at beginning of financial period		2,998,626	1,669,188
Cash and cash equivalents at end of financial period		7,938,414	4,367,316

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 2020

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 2020 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 2020.

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 2020.

Comparative Financial Information

During the current half year, occupancy costs have been classified within administration expenses to simplify the presentation of the statement of profit or loss and other comprehensive income. As a result of this presentation, \$34,800 which was shown as occupancy costs in the 31 December 2019 comparative financial information has been reclassified on a consistent basis.

Going Concern

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

For the financial half-year ended 31 December 2020, the Group incurred a net loss of \$2,359,997 (31 December 2019: \$2,109,501), had a net cash outflow from operating activities of \$735,675 (31 December 2019: outflow \$152,336) and had a net cash outflow from investing activities of \$2,022,272 (31 December 2019: outflow \$949,825). At 31 December 2020 the Group has cash reserves of \$7,938,414 (30 June 2020: \$2,998,626).

The Directors have prepared a cash flow forecast for the period ending 31 March 2022, which covers the Group's operations, including planned exploration activities, including cash receipts from Joint Venture partners, and which reflects its current strategic objective of commencing mining development activities at the Great White Kaolin Project by February 2022. This cash flow forecast includes expenditure which is not yet committed, nor approved by the Great White Kaolin Project Joint Venture (Joint Venture), which would be necessary to execute the

Group's stated objective of commencing mining development activities at the Great White Kaolin Project by February 2022.

This cash flow forecast indicates that the Group's current cash resources will not be sufficient to fund the Group's operations, inclusive of currently uncommitted expenditure noted in the previous paragraph, without additional funding being raised from December 2021.

The Group will be required to secure additional funding of at least \$4.1 million from December 2021 for the Group to proceed with the planned commencement of mining development activities for the Great White Kaolin Project through to 31 March 2022, assuming that the Joint Venture approves these activities and related expenditures in line with the timetable budgeted by the Group to achieve its strategic plan.

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 required funding not be raised, the Group would be required to delay the commencement of mining development at the Great White Kaolin Project.

Should the Group be unable to successfully secure the above additional funding, or delay its currently envisaged commencement of mining development at the Great White Kaolin Project, there is a material uncertainty that may cast significant doubt as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.

The interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. OTHER INCOME

	Half-Year Ended 31/12/20 \$	Half-Year Ended 31/12/19 \$
Interest income on bank deposits	6,126	11,418
Profit on sale of assets (i)	-	650,000
Other (ii)	51,900	-
	<u>58,026</u>	<u>661,418</u>

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

(ii) Relates to government assistance in the form of Job Keeper and Covid cash flow boost

3. EXPLORATION AND EVALUATION EXPENDITURE

	Half-Year Ended 31/12/20 \$	Year Ended 30/06/20 \$
Costs brought forward	9,218,491	6,442,897
Expenditure incurred during the year (net) (i)	1,835,163	3,175,536
	11,053,654	9,618,433
Exploration impaired (ii)	(35,898)	(399,942)
	11,017,756	9,218,491

- (i) This amount includes government assistance in the form of Job Keeper amounting to \$61,200 which relates to reimbursement of salary costs of employees which have been capitalised into exploration and evaluation expenditure asset.
- (ii) Exploration and evaluation expenditure impaired relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been, or are likely to be, surrendered.

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.

4. INVESTMENT IN JOINT VENTURE

	Half-Year Ended 31/12/20 \$	Year Ended 30/06/20 \$
Cost brought forward (i)	157,964	-
Additional investments during the year	198,126	157,964
Share in joint venture losses	(171,926)	-
	184,164	157,964

- (i) Relates to investment in Natural Nanotech Pty Ltd. As at 31 December 2020 ADN has joint control by virtue of having one of two board positions.

5. ISSUED CAPITAL

	Half-Year Ended 31/12/20 \$	Half-Year Ended 31/12/19 \$
Fully paid ordinary shares	55,678,782	46,750,446
Treasury shares	(52,221)	(94,125)
	<u>55,626,561</u>	<u>46,656,321</u>

Movement in issued shares for the year:

	Half-Year Ended 31/12/20 No.	Half-Year Ended 31/12/20 \$	Half-Year Ended 31/12/19 No.	Half-Year Ended 31/12/19 \$
<u>Fully paid ordinary shares</u>				
Balance at 1 July	1,532,863,256	47,878,739	1,355,499,211	42,879,479
Placement at 4.7 cents	-	-	85,046,790	3,997,199
Issue of shares as part payment of director fees	-	-	402,576	17,500
Exercise of listed options	614,184,571	7,436,523	3,961,510	47,538
Exercise of unlisted options	5,680,000	363,520	-	-
Costs associated with the issue of shares	-	-	-	(273,243)
Related income tax	-	-	-	81,973
Balance at 31 December	<u>2,152,727,827</u>	<u>55,678,782</u>	<u>1,444,910,087</u>	<u>46,750,446</u>
<u>Treasury shares</u>				
Balance at 1 July	(2,107,500)	(52,221)	(9,940,000)	(122,920)
Change in treasury shares	-	-	2,999,500	28,795
Balance at 31 December	<u>(2,107,500)</u>	<u>(52,221)</u>	<u>(6,940,500)</u>	<u>(94,125)</u>
Total issued capital	<u>2,150,620,327</u>	<u>55,626,561</u>	<u>1,437,969,587</u>	<u>46,656,321</u>

6. SHARE OPTIONS AND PERFORMANCE RIGHTS

Half-year ended 31 December 2020

During the half-year ended 31 December 2020 the Company issued the following performance rights.

	Number	Vesting Condition	Expiry Date
Performance rights	3,500,000	Completion of the Definitive Feasibility Study for the Great White Kaolin Project	26 November 2022
Performance rights	3,500,000	Submission of a Mining Lease application for the Great White Kaolin Project	26 November 2022
Performance rights	2,000,000	Approval of the Mining Lease application for the Great White Kaolin Project	26 November 2022
Performance rights	14,250,000	Commencement of mining at the Great White Deposit (or equivalent deposit)	26 November 2023

The performance rights were granted to the Directors for no cash consideration. At grant date, the performance rights were valued to a total of \$6.8 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.

Half-year ended 31 December 2019

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.

7. 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 2020.

8. 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.

9. SUBSEQUENT EVENTS

On 21 January 2021, Evolution Mining Limited formally advised of its withdrawal from the Drummond Epithermal Gold Joint Venture in north Queensland with the Project reverting back to 100% ownership by the Company. In February, the Company relinquished the four tenements held in the Pilbara district of Western Australia which comprised the Company's Pilbara Gold Project.

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.

10. 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
16th March 2021

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

Conclusion

We have reviewed the accompanying 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 2020, 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 10 to 20.

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:

- a. giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a net loss of \$2,359,997 and experienced net cash outflows from operating and investing activities of \$2,757,947 during the half-year ended 31 December 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

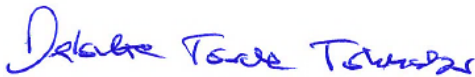
Directors' Responsibility for the Half-Year Financial Report

The directors of the entity 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 2020 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.



DELOITTE TOUCHE TOHMATSU



David Newman

Partner

Chartered Accountants

Perth, 16 March 2021