

Andromeda Metals Limited
 ABN: 75 061 503 375

Quarterly Report

Period ending 31 March 2017

Corporate Details

ASX Code:
 ADN (ordinary shares)

Cash at 31 March 2017:
 \$0.125 million.

Issued Capital
 at 31 March 2017:
 405,767,063 ordinary shares

Directors

Colin G Jackson
 Non-executive Chairman

Chris Drown
 Managing Director

Nick Harding
 Executive Director and
 Company Secretary

Jonathan Buckley
 Non-executive Director

Contact Details

69 King William Road,
 Unley, South Australia 5061

PO Box 1210
 Unley BC SA 5061

Tel: +61 8 8271 0600
 Fax: +61 8 8271 0033

admin@andromet.com.au
 www.andromet.com.au

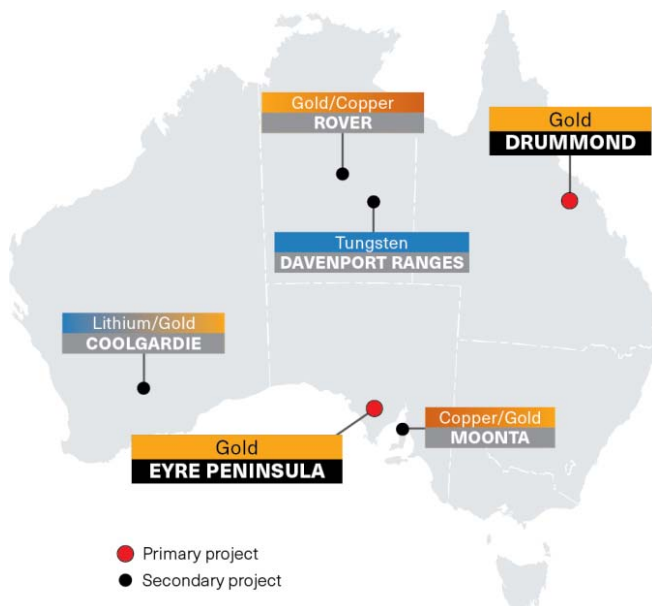
Overview

Eyre Peninsula gold (100% interest)

- Mineral Resource estimates for the Baggly Green and nearby White Tank deposits were completed with the assistance of consultant Mining Plus Pty Ltd, and build on the maiden Barns Mineral Resource announced in July 2016.
- The total Wudinna Gold Camp Mineral Resource, including the Baggly Green, White Tank and Barns gold deposits totals 3.849 million tonnes at 1.62g/t gold for 200,300 ounces using a 0.5gt gold cut-off grade. The Resource is comprised of 0.38 million tonnes at 1.40g/t gold for 17,000 ounces of Indicated Resources and 3.469 million tonnes at 1.64g/t gold for 183,300 ounces of Inferred Resources.
- Metallurgical testing of supergene and primary mineralisation at Barns achieved gold recoveries of over 97% using a conventional gravity and cyanide leach flowsheet. The excellent results were achieved using modest reagent additions, presenting a viable option to treat all ore types.

Finance

- The Company's available cash position stood at \$0.125 million at 31 March 2017.
- On 13 April, the Company announced a non-renounceable pro rata entitlement issue to Eligible Shareholders to raise approximately \$1.623 million before costs. The funds raised are to be used to progress the Wudinna Gold Camp towards mine development, drill gold targets on the Drummond project, and meet ongoing working capital requirements.
- The Offer is at an issue price of \$0.008 per share on the basis of 1 new Share for every 2 Shares held on 20 April, and 1 attaching Primary Option for every 2 New Shares subscribed. The Company will apply to the ASX for the Official Quotation of the Primary Options allowing them to be traded during their term.
- Each Primary Option has an exercise price of \$0.012 and a term expiring 31 March 2018. If a Primary Option is exercised, the Option Holder will receive a Secondary Option which has an exercise price of \$0.015 and an expiry date of 31 March 2019.
- The Offer price of \$0.008 represents a 20% discount to the Company's closing price on 10 April 2017 and a 28% discount to the volume weighted average price of the Company's shares over the 30 days leading up to the Offer announcement. If the valuation of the attaching Primary Option is also taken into account, these increase to indicative discounts of 40% and 45% respectively.




Chris Drown
 Managing Director
 28 April 2017

Direct enquiries to:
 (08) 8271 0600 or 0427 770 653

Managing Director's review

During the March 2017 quarter two significant programmes of work were finalised.

The first was completion of Mineral Resource estimates for the Baggy Green and White Tank gold deposits which, together with the Barns deposit and other earlier stage prospects, comprise the 100% owned Wudinna Gold Camp on the Eyre Peninsula gold project. The new estimates have delivered a material increase in resources, which now total 200,300 ounces of gold for the Wudinna Gold Camp.

The second programme was an investigation into the metallurgical behavior of mineralisation from the Barns deposit. This work successfully demonstrates that gold recoveries of over 97% can be achieved using a conventional gravity and cyanide leach flowsheet for both primary and supergene ore types at Barns.

The increased mineral resources and the outstanding gold recoveries increase the economic robustness of the Wudinna project, and with gold currently trading around A\$1,700 per ounce, completing the work required to progress Wudinna to a decision to mine remains the Company's main priority.

Third party funded joint ventures saw on ground activity at Thurlga and preparations for the recommencement of exploration at Rover, however the Company's financial position has not allowed testing of the exciting gold prospects identified on the Drummond epithermal gold project.

We remain of the view that Wudinna, Drummond and our other assets are excellent projects that can deliver value for shareholders.

To fund the work at Wudinna and Drummond, and to raise the capital required to meet the Company's ongoing administrative expenses, an attractively priced non-renounceable pro rata entitlement issue to Eligible Shareholders to raise approximately \$1.623 million before costs was announced after quarter end.

Shareholders will receive the Offer documents by post and those wishing to participate should complete and return their applications by the Offer Closing Date being Tuesday 16 May 2017.

Eyre Peninsula gold

Andromeda Metals' Eyre Peninsula gold project comprises seven tenements securing an area of 2,385 km² in the Gawler Craton.

The Company is focused on advancing the wholly owned Wudinna Gold Camp, a cluster of gold prospects including Barns, White Tank and Baggy Green, into production.

Last quarter a reverse circulation drilling programme was completed at the Baggy Green gold deposit. Assay results recorded the best drill intersections yet achieved at Baggy Green with two adjacent 50-metre spaced drill holes intersecting 16 metres at 5.72g/t gold and 11 metres at 9.32g/t gold respectively.

Work this quarter has included estimation of Mineral Resources at Baggy Green and White Tank, and metallurgical testwork at Barns.

Baggy Green and White Tank Resources

Following the successful drilling programme at Baggy Green last quarter, Mineral Resource estimates for the Baggy Green and White Tank deposits were completed. These new resources build on the 107,000 ounce Barns gold resource announced in July 2016.

The Baggy Green and White Tank estimates were jointly completed by Andromeda Metals and independent consultant Mining Plus Pty Ltd. The Company assumes responsibility for the integrity of the drill hole data and interpretation of the 3-D mineralisation model, while Mining Plus assumes responsibility for the block modelling, geostatistical analysis, grade interpolation and estimation classification.

The maiden Mineral Resource estimate for the Baggy Green gold deposit is 1.56 million tonnes at 1.64g/t gold for 82,400 ounces of gold, using a 0.5g/t gold cut-off grade.

The maiden Mineral Resource estimate for the White Tank gold deposit is 176,000 tonnes at 1.92g/t gold for 10,900 ounces of gold, using a 0.5g/t gold cut-off grade.

The Mineral Resources for both Baggy Green and White Tank have been classified as Inferred. Infill drilling would allow reclassification of material to the Indicated category.

The consolidated Mineral Resource estimate for the Wudinna Gold Camp (Barns, Baggy Green and White Tank) is 3.849 million tonnes at 1.62g/t gold for 200,300 ounces of gold, using a 0.5g/t cut-off grade (Table 1).

Barns metallurgical testwork results

Three composite samples, one from the supergene gold zone and two from the underlying primary gold zones, were prepared from diamond drill core from the Barns deposit and submitted to a specialist laboratory for metallurgical testing.

Three possible treatment options were investigated, including gravity and cyanide leach, bottle roll cyanide leach, and flotation.

Gravity and cyanide leach gold recoveries ranged from 96.9% to 98.8%. These excellent results were achieved with low lime addition and modest cyanide additions, presenting a viable conventional flowsheet option to treat all ore types identified at Barns. Future test work would target coarsening the grind size to establish the optimum economic grind-recovery combination.

The bottle roll cyanide leach and the flotation results achieved acceptable recoveries, however, the gravity and cyanide leach results are superior.

Samples of mineralised material suitable for metallurgical testing were retained following the recent drilling programme from Baggy Green, with similar testing planned.

Thurlga Joint Venture

The Thulga Joint Venture over EL 5149 on the northern Eyre Peninsula is managed and operated by Investigator Resources Limited.

An aircore drilling programme comprising 20 holes for 1,066 metres targeted five prospects during the quarter. Basement lithologies included Gawler Range Volcanics, Archaean gneiss and Proterozoic metasediments, including graphitic units.

Assaying of drill samples is now underway for gold and a range of other metals, and for total graphitic carbon on graphite-bearing samples.

Drummond epithermal gold

The Company remains committed to drill testing one or more of the Bunyip, Roo Tail, Poppi's and East Central Limey gold targets, with each of these prospects confirmed to be gold-bearing epithermal vein systems.

A portion of the funds raised through the Shareholder entitlement Offer announced on 13 April 2017 are planned to meet the costs of these drill tests.

Table 1: WUDINNA GOLD CAMP CONSOLIDATED CLASSIFIED MINERAL RESOURCE FIGURES

Deposit	Mineralisation	Cut-off	Indicated			Inferred			Total		
			g/t Au	Tonnes	g/t Au	Ounces	Tonnes	g/t Au	Ounces	Tonnes	g/t Au
Barns	Supergene	0.5	380,000	1.40	17,000	230,000	1.30	10,000	610,000	1.40	27,000
	Primary	0.5				1,500,000	1.70	80,000	1,500,000	1.70	80,000
	Total	0.5	380,000	1.40	17,000	1,730,000	1.60	90,000	2,110,000	1.60	107,000
Baggy Green	Primary	0.5				1,563,000	1.64	82,400	1,563,000	1.64	82,400
	Total	0.5				1,563,000	1.64	82,400	1,563,000	1.64	82,400
White Tank	Supergene	0.5				43,000	1.35	1,900	43,000	1.35	1,900
	Primary	0.5				133,000	2.10	9,000	133,000	2.10	9,000
	Total	0.5				176,000	1.92	10,900	176,000	1.92	10,900
Wudinna Gold Camp	Supergene	0.5	380,000	1.40	17,000	273,000	1.36	11,900	653,000	1.38	28,900
	Primary	0.5				3,196,000	1.67	171,400	3,196,000	1.67	171,400
	Total	0.5	380,000	1.40	17,000	3,469,000	1.64	183,300	3,849,000	1.62	200,300

The preceding statement of Mineral Resources conforms to the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2012 edition. All tonnages reported are dry metric tonnes. Minor discrepancies may occur due to rounding to appropriate significant figures.

Rover copper-gold

On 15 November 2016 the Company announced that it had executed a Heads of Agreement with Emmerson Resources Limited to form the Rover Farm-in and Joint Venture over the Company's 100% owned Rover copper-gold project in the Northern Territory.

Subsequently, pursuant to the terms of the Tennant Creek Mineral Field Earn-in and JV between Emmerson and Evolution Mining Limited, Evolution has elected to include the Rover project in its joint venture with Emmerson, a further testament to Rover's calibre and potential.

Emmerson has completed a thorough review of the project data and is planning geophysical surveys and drilling at the Rover 4 and Rover 12 prospects around mid 2017.

Moonta copper-gold

The Company continues to pursue the partial or full sale of the Moonta copper project. A party with whom the Company had been negotiating a Heads of Agreement in 2016 failed to meet various deadlines for reasons not related to the project and discussions with this party have been discontinued. Negotiations with another interested party commenced during the quarter, with data made available under confidentiality provisions.

Coolgardie lithium-gold-nickel

Tenement application, E15/520 "Prince of Wales", located near Coolgardie in Western Australia has been granted. The tenement is prospective for gold, lithium and nickel deposits.

Finance and corporate

The Company had \$0.125 million in available cash at 31 March 2017.

Further cost saving measures implemented on 1 February 2017 include a further 30% salary deferment for executive directors and total deferment of fees for non-executive directors.

The Company has approached and been approached by parties interested in participating in the advancement of the Company's assets. However, none have advanced to a certain status at this time.

Accordingly, on 13 April, the Company announced a non-renounceable pro rata entitlement issue to raise approximately \$1.623 million, with the funding to progress the Wudinna Gold Camp towards mining, drill gold targets at Drummond, and meet ongoing working capital requirements.

The Offer is at an issue price of \$0.008 per share on the basis of 1 new Share for every 2 Shares held on 20 April, and 1 attaching Primary Option for every 2 New Shares subscribed.

Each Primary Option has an exercise price of \$0.012 and a term expiring 31 March 2018. If a Primary Option is exercised, the Option Holder will receive a Secondary Option which has an exercise price of \$0.015 and an expiry date of 31 March 2019.

The Offer price of \$0.008 represents a 20% discount to the Company's closing price on 10 April 2017 and a 28% discount to the volume weighted average price of the Company's shares over the 30 days leading up to the Offer announcement. If the valuation of the attaching Primary Option is included, the indicative discounts increase to 40% and 45% respectively.

Shareholders will receive the Offer documents by post and those wishing to participate should complete and return their applications by the Offer Closing Date being Tuesday 16 May 2017.

Competent Person Statement and 2012 JORC Compliance Notes

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

The information contained in the report relating to exploration completed prior to 1 Dec 2013 by the Company and other explorers was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information contained in the report relating to exploration completed since 1 Dec 2013 has previously been reported in accordance with the JORC Code 2012, see ADN's ASX releases dated 2 May 2016, 3 November 2016, 15 November 2016, 28 November 2016, 16 January 2017 and 23 January 2017.