



Andromeda

METALS

FINANCIAL REPORT

For the Half-Year Ended

31 December 2023

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Directors' Report

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

Michael Wilkes Non-Executive Chair Remuneration Committee Chair	BEng (Hons), MBA, MAusIMM, MAICD
Robert Katsioularis Managing Director	BEng, MBA
Austen Perrin Non-Executive Director Audit and Risk Committee Chair	B. Econ. (Acc.), CA, GAICD
Sue Ann Higgins (Appointed 21/02/24) Non-Executive Director, Sustainability & Governance Committee Chair	LLB (Hons), BA, ACIS, GAICD Grad Dip Company Secretarial Practice Grad Dip Applied Finance and Investment
Melissa K Holzberger (Resigned 02/02/24) Non-Executive Director, Sustainability & Governance Committee Chair	LLM Resources Law (Distinction), Dip. International Nuclear Law (Hons), LLB, BA, Grad Dip Legal Practice, GAICD, FGIA
James E Marsh (Resigned 10/10/23) Executive Director	BSc (Hons), MAusIMM

Operating and Financial Review

Strategy

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

Kaolin

- The Company will maintain its focus on advancing The Great White Project (TGWP) through seeking to:
 - obtain all product certification and regulatory approvals required;
 - plan for a staged approach to development that closely matches the growth profile of volume commitments signed under binding offtake agreements;
 - implement appropriate operational structures and procedures, supported by suitable resources; and
 - secure the necessary funding, supported by a Bankable Feasibility Study and an updated Definitive Feasibility Study;

in support of progressing towards a Final Investment Decision (FID) being made, for eventual development and production.
- Regional exploration for kaolin with complementary attributes to the high-quality kaolin found at TGWP, with the intent of identifying opportunities to expand production and/or extend the range of products the Company can offer.

- Investigating opportunities to expand the use of kaolin from TGWP in new products and applications, such as:
 - kaolin and zircon-kaolin blended products that can displace zircon through incorporating the unique zircon-replacement potential of TGWP kaolin;
 - use as a filler or additive in paints, coatings, fiberglass, technical ceramics and pharmaceuticals;
 - halloysite-based products and their use in emerging nanotechnologies; and,
 - feedstock for use in the production of the critical mineral High Purity Alumina (HPA).
- These activities are underpinned by:
 - TGWP's deposits being among the world's largest high-quality kaolin resources, and
 - continued strong market dynamics for quality kaolin products, driven by increasing global demand, particularly in the Asia-Pacific region, along with increasing global scarcity driven by rapid resource depletion and long-term market dislocation caused by ongoing geo-political factors.

Metals

- The Company seeks to maximise shareholder value through an ongoing divestment program of its legacy gold and copper assets, to support the continued focus on advancing TGWP.

Corporate Governance and Sustainability

- As Andromeda matures as a company, the aim is to move towards construction and production, in a safe, ethical and sustainable way.
- The Company recognises the critical importance of sustainable practices in operations and is committed to minimising the impact of operations, reducing greenhouse gas emissions, supporting local communities, and ensuring ethical business conduct.
- Andromeda is committed to continuous improvement and, as the Company progresses the development of TGWP, an ongoing focus will be on enhancing its governance and operational structures and systems.
- 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 2023 was \$720,868, representing a 35% decrease from the \$1,101,586 during the prior corresponding period (pcp). The decrease was driven by a reduction in accrued research and development incentives for activities conducted by the Company and reduced interest income on bank deposits.

The net result of operations for the six months ending 31 December 2023 was a loss after income tax of \$4,213,684 (31 December 2022 loss of \$4,117,507).

Exploration and evaluation expenditure for the six months was \$2,635,720 (2022: \$4,087,775), the majority of which was directed towards the advancement of The Great White Project. In accordance with the Group's accounting policy, \$2,630,342 (2022: \$4,023,590) was capitalised and a total of \$5,378 (2022: \$64,185) 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 \$4,075,382 (2022: \$5,154,908) which is inclusive of the valuation of options and performance rights issued to directors.

At 31 December 2023, the Company held cash and cash equivalents totalling \$8,378,141 (2022: \$23,912,233).

Review of Operations

During the period 1 July to 31 December 2023, the primary focus for Andromeda has been to continue the advancement of The Great White Project (TGWP).

Updated Definitive Feasibility Study (2023 DFS)

Following the appointment in April 2023 of Bob Katsioularis as Chief Executive Officer and Managing Director, a comprehensive strategy review of the commercial strategy and the approach to developing TGWP, was undertaken.

The revised Commercial Strategy resulted in re-focusing of the Company's effort on an enhanced product portfolio targeting high value markets, as follows:

- **Core Products:** Great White CRM™ and Great White KCM™90 and identified a value in use that is above market in established and growing segments for high quality ceramic tiles and porcelain tableware.
- **Complementary Products:** Great White HRM™ and industrial sand co-products. In addition to the current established use of Great White HRM™ as a rheology modifier, the global market for low-carbon concrete production was identified as a further opportunity to be commercialised. The sale of industrial sand co-products, which were not commercialised in the previous 2022 DFS, were included to meet identified regional shortfalls in the construction and infrastructure markets.

In August 2023, the Company completed the 2023 DFS, which found the revised Commercial Strategy delivered a 65% improvement in pre-tax net present value (NPV) over the 28-year life of mine, to \$1.01 billion, compared to the earlier 2022 DFS¹.

¹ Refer ADN ASX dated 24 August 2023 titled *The 2023 DFS delivers significantly improved economics, following a comprehensive strategy review establishing an enhanced product portfolio in high value markets*, with underlying assumptions continuing to apply, and no material changes.

The 2023 DFS identified that global kaolin prices had strengthened, due to increased geopolitical risk, and global and regional supply shortages, while an updated mine development plan supported an accelerated sales profile and reduced costs. These led to a 34% increase in the weighted average product margin, to \$450/tonne of product, and a 59% increase in average earnings before interest tax depreciation and amortisation (EBITDA) when compared to the 2022 DFS, to \$130 million p.a.

Commercial

Andromeda currently has signed three binding offtake agreements and two non-binding Heads of Agreements that underpin TGWP's development. 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.

During the period the following agreements were signed:

- Binding Offtake Agreement signed with Foshan Gaoming Xing-Yuan Machinery Co. Ltd (**Foshan Gaoming BOA**)², for the supply and delivery of high-quality kaolin from TGWP, during the first 5 years of production, into the Chinese market, as follows:
 - 115,000 tonnes of Great White CRM™ over the five-year period,
 - 5,000 tonnes of Great White KCM™⁹⁰ in the first year of production,
 - Pricing that aligns to the pricing assumptions used in the 2023 DFS and Andromeda may require payment obligations to be secured by a letter of credit.
 - Standard conditions precedent in Andromeda's favour relating to due diligence investigations on Foshan Gaoming, a financial investment decision by the Company for the TGWP and commercial production of Great White CRM™ and Great White KCM™⁹⁰.
- Non-binding Heads of Agreement signed with Traxys Europe S.A (**Traxys HoA**)³, to pursue mutually beneficial business opportunities linked to the sale and purchase of Andromeda's kaolin products for distribution into global ceramics and other markets, into selected geographies, through;
 - Direct sales of Great White CRM™ – targeting 20,000 – 30,000 wmt p.a. for the first Stage, and seeking to proportionally increase over subsequent Stages, covering the potential geographies of Turkey, Middle East, Scandinavia, and Latin America (LATAM). Targeting a term of 5 years, with first shipment during the first quarter of calendar year 2025 (Q1 2025), with the option for 60 or 90-days pre-shipments advances, for a portion of agreed target volumes during the first 24 months of production;
 - Direct sales Great White HRM™ – targeting 10,000 – 15,000 wmt p.a. for the first Stage, and seeking to proportionally increase over subsequent Stages, covering the potential geographies of Europe, Middle East and Africa (EMEA), India and the Arabian Gulf region, with end-user validation and homologation and certification for each market to be completed. Targeting a term of 5 years, with first shipment during Q1 2025 and an option for 60 or 90-days pre-shipment advances, for a portion of agreed target volumes during the first 24 months of production; and,
 - Potential equity and debt arrangements – through participation in funding raises to support the Company in the period until an anticipated FID is made, and a contribution towards funding requirements following an anticipated FID being made, including, potentially, as a cornerstone equity investment or via the provision of working capital facilities.

² Refer ADN ASX dated 18 October 2023 titled *Binding Offtake Agreement signed for Chinese market*.

³ Refer ADN ASX dated 21 November 2023 titled *Non-binding Heads of Agreement signed with Traxys*.

- Non-binding Heads of Agreement to pursue business opportunities linked to the Indian industrial minerals market with Opaque Ceramics Pvt Ltd (**Opaque HoA**)⁴, under which Andromeda will work with Opaque to pursue business opportunities, including distribution of Andromeda's kaolin products across Opaque's extensive global network of ceramics manufacturers, and development and potential distribution of kaolin-zircon mixtures. Key terms for discussion include offtake agreements for a term of 5 years, with first shipments planned during Q1 2025, for the following:
 - Purchase of 5,000 – 10,000 wmt p.a. of Great White CRM™ by Opaque for direct sales and distribution into the ceramic tile, ceramic glaze, porcelain tableware and sanitaryware markets in India and potentially other markets, including Bangladesh, Sri Lanka, Middle East, Saudi Arabia and Oman; and,
 - Development of a new kaolin-zircon product, utilising an additional 5,000 – 10,000 wmt p.a. of Great White kaolin product, to enhance or expand the existing range of Opaque's zircon-based products, through incorporating the unique qualities of Great White kaolin, including high brightness and its zircon-replacement potential.

These agreements are supplemented by:

- The previously signed Binding Offtake Agreement with Plantan Yamada Co Ltd for 25,000 tonnes of Great White KCM™⁹⁰ over the first three years of production into the Japanese ceramics market⁵, and
- Subsequent to the period, a Binding Sales and Distribution Agreement signed with IberoClays SLU (**IberoClays BOA**)⁶, under which the parties have agreed to terms for the sale and purchase of the following:
 - Great White CRM™ volumes of 8,000 wet metric tonnes (wmt) in the first year, with IberoClays having an option to increase this to 10,000 wmt, increasing to 10,000 - 20,000 wmt per annum from the second year onwards (at Andromeda's option). For sale into the ceramics and tile sectors with exclusive marketing and distribution in Spain, Portugal and Italy and non-exclusive rights in France, Morocco, Egypt and Turkey. Pricing from Year 2 onwards in line with assumptions made in the 2023 Definitive Feasibility Study (2023 DFS), with a discount of 7-8% applied to deliveries made in the first year, during which pre-payment terms will apply for shipments up to 30 September 2025, as per below.
 - Great White HRM™ volumes of 2,000 wmt per annum, for sale into the concrete industry with non-exclusive marketing and distribution rights in Spain and Portugal for concrete applications. Conditions precedent in IberoClays' favour relating to the certification for sales into Spain and Portugal, and the securing of an end-user agreement; and, Pricing that is significantly above the conservative product pricing assumptions made in the 2023 DFS.
 - Prepayment terms for shipments until 30 September 2025, payable at the beginning of each quarter for all shipments due to be shipped during that quarter (based on 70% of provisional invoice).
 - An initial term of 5 years from delivery of the first shipment, with automatic yearly extensions thereafter (unless either party gives 12 months' notice of termination), for delivery to, and warehousing at, the Port of Castellón, Spain.

⁴ Refer ADN ASX dated 9 November 2023 titled *Heads of Agreement signed for Indian and global markets*.

⁵ Refer ADN ASX dated 8 June 2023 titled *Binding Offtake Agreement signed for Japanese market*.

⁶ Refer ADN ASX dated 19 January 2024 titled *Binding Sales and Distribution Agreement Signed with IberoClays*.

Additionally, the Company signed a Strategic Alliance Agreement for the commercialisation of Great White HRM™ with Hallett Group (**Hallett Agreement**)⁷. Hallett Group is the largest integrated supplier of building and construction materials in South Australia, with a range of products focused on lowering the carbon footprint of concrete. Under the Agreement, Andromeda and Hallett Group will work together, in a strategic alliance to develop the market in Australia for Great White HRM™ and commercialise its use in various applications, including reduced cement concrete, reduced fines concrete, improved performance shotcrete, backfill and other building products.

Technical

During the period, the product validation program on Great White CRM™ conducted independently by the Institute of Ceramic Technology (ITC), located at the University of Castellón in Spain, was progressed. Interim test results on the suitability of Great White CRM™ for ceramic glazes, zircon replacement potential and international benchmarking comparisons, were received⁸.

The final report on the suitability of Great White CRM™ for ceramic glazes, confirming its zircon-replacement potential and including international benchmarking comparisons, was received. Key results from the final report include:

- Validated for use in blends where Great White CRM™ lends superior chromatic coordinate properties compared to the interval values of standard kaolins in the market;
- High-whiteness due to considerably lower iron, high alumina and typical titanium content, that provides the potential to reduce usage of higher-cost zircon in ultra white and super white ceramics segments; and,
- Great White CRM™ (and Great White KCM™90) tested in glaze applications as showing considerably higher mechanical strength compared to industry benchmarks. High mechanical strength can reduce glaze defects during the manufacturing process.

The results confirmed and validated the testing conducted previously by IberoClays, which found that Great White CRM™ provides above market value in use to the fast-growing large format porcelain and ceramic tiles and glaze segments⁹.

Additionally, further testing and analysis on the value in use of Great White CRM™ in reducing the need to add zircon in the ultra-white and super-white ceramic slab segments, was conducted. The analysis found that through using Great White CRM™, instead of other standard European kaolins, manufacturers could reduce the use of higher-cost and increasingly scarce zircon by between 10-15%.

The ultra-white and super-white ceramic slab segments, which use formulations containing ~25% kaolin, are a significant and growing opportunity for Andromeda.

End-user technical validation trials for the use of Great White HRM™ as an additive to decarbonise concrete, with cement suppliers and concrete manufacturers, continued during the period, ahead of the decision to sign the Strategic Alliance Agreement with Hallett Group.

Operations

Andromeda continued planning activities in anticipation of a final investment decision being made.

During the period, the procurement of long lead items was progressed, with the following activities conducted and status:

- Fluidised bed dryer – factory acceptance testing conducted, warehoused ready for shipment;

⁷ Refer ADN ASX dated 16 November 2023 titled *Strategic Alliance Agreement signed with Hallett Group*.

⁸ Refer ADN ASX dated 18 July 2023 titled *Presentation at Noosa Mining Conference*.

⁹ As determined by testing conducted on Great White CRM™ by IberoClays (May/June 2023).

- Thickener – factory acceptance testing completed;
- Drum washer – factory acceptance testing is scheduled to be completed in Q2 2024;
- Filter Press – order placed and engineering continuing; and
- Filter Cake Feeder – order placed and fabrication commenced.

The Company also progressed procurement of the 'balance of plant' capital and infrastructure items.

During the period, the subdivision process of the private land within TGWP's Mining Lease (ML 6532) and Miscellaneous Purposes Licence (MPL 164), to realign existing property boundaries to fit the TGWP mine site footprint, was progressed. This follows the August 2022 signing of binding land purchase agreements for the purchase of the freehold land from the existing landowners¹⁰. Each agreement includes a waiver for Exempt Land (under the Mining Act 1971), as required for the commencement of authorised operations.

In June 2023, ahead of an expected increase in requests for samples, a comprehensive review was undertaken. The focus of the review was to enable a scaling up of operations to support additional customer testing and further product validation, while ensuring safe, sustainable operations. Following the review, a 're-set' of operations was undertaken with the Streaky Bay Pilot Plant (SBPP) recommencing in late-July, with an expanded ability to produce large scale samples.

Following the reset, samples were produced at the SBPP and delivered, in line with the additional sample requests for customer testing and product validation assessment.

During the period there were no lost time injuries, and no reportable environmental incidents.

Regional Minerals Exploration

TGWP – Regional Exploration (Andromeda 100%)

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

Following analysis of the results from follow-up drilling conducted at the Chairlift kaolin prospect, located on tenement EL 6664 and conducted in March 2023, a combined Inferred Resource of 53.5 million tonnes (Mt) of kaolin was announced¹¹, comprising of:

- 27.0 Mt of Bright White, low titanium kaolinised granite (Chairlift CRM); and,
- 26.5 Mt of rheology modifier kaolin (Chairlift HRM).

Metals Projects

Drummond Epithermal Gold Project (Andromeda 0%)

During the period, the sale of the Drummond Epithermal Gold Project (Drummond), via the disposal of Andromeda's wholly owned subsidiary Adelaide Exploration Pty Ltd, to Rush Resources Limited (Rush), was completed¹².

As a result of Rush being acquired by ASX-listed Trigg Minerals Limited (Trigg, ASX: TMG), Andromeda received 29,500,000 shares, valued at \$295,000, as consideration and for reimbursement of expenses related to the sale of Drummond.

¹⁰ Refer ADN ASX dated 18 August 2022 titled *Andromeda progresses Great White Kaolin Project with signing of Land Acquisition Agreements and lodgement of PEPR*.

¹¹ Refer ADN ASX dated 16 November 2023 titled *Chairlift Kaolin Deposit Mineral Resource Estimate*, with underlying assumptions continuing to apply, and no material changes.

¹² Refer ADN ASX dated 16 November 2023 titled *Sale of Drummond Epithermal Gold Project completes*.

The shares were issued in addition to the payment of \$27,000 in cash and a cash refund of \$7,500 in respect of the environmental bonds for the project.

Moonta Copper Gold Project (Andromeda partial farm-out 100%)¹³

During the period, Andromeda entered into a Sale and Purchase Agreement, via wholly owned subsidiary Peninsula Resources Pty Ltd (Peninsula), for exploration licence EL5984 (related to the Moonta Copper Gold Project) with EnviroCopper Ltd (ECL) and its wholly owned subsidiary Environmental Metals Recovery Pty Ltd (EMR)¹⁴.

As consideration for the sale, Andromeda has or will receive the following:

- At completion of the sale:
 - \$50,000 in cash;
 - 203,008 fully paid ordinary shares in ECL, representing 5% of current issued capital in ECL;
 - Grant of a royalty, equal to 10% of the operating cashflow derived from the Moonta ISR JV Project Area, up to \$15 million, and
 - Grant a royalty, equal to 10% of the operating cashflow derived from in respect of the Moonta Project Area, up to \$15 million.
- Following successful completion of a Site Environmental Lixiviant Test (SELT) within the Project Area being undertaken, at the sole discretion of Andromeda, either:
 - \$100,000 in cash; or
 - 101,504 fully paid ordinary shares in ECL, representing 2.5% of current issued capital in ECL;
- Following granting of a Mining Lease within the Project Area to ECL, its related body corporate, nominee or assignee, a further \$150,000 in cash.

Subsequent to the period, completion of the sale occurred on 24 January 2024¹⁵.

Wudinna Gold Project (Andromeda farm-out 25%)

During the period, the Company entered into a Subdivision and Sale Agreement with Cobra Resources plc (Cobra) for the sale of the remaining 25% interest held in the tenements related to the Wudinna Gold Project, for the consideration of \$500,000 in cash and \$1,000,000 in shares of Cobra (valued at GBP 1 pence each)¹⁶.

Cobra, through its wholly owned subsidiary Lady Alice Mines Pty Ltd (LAM), will acquire Andromeda's interest in the Wudinna Gold Project, held by wholly owned subsidiary Peninsula Resources Pty Ltd (Peninsula), either via a tenement transfer or utilising the sub-division process under section 30AA of the Mining Act 1971 (SA).

Completion is subject to the following conditions precedent:

- Cobra successfully undertaking a capital raising to the value of \$500,000;
- Cobra receiving the necessary shareholder approval to issue the Consideration Shares; and
- obtaining any necessary third-party consents required for the transaction.

Subsequent to the period, in January 2024, 52,010,000 Cobra shares (Consideration Shares) were issued to Peninsula in advance of completion of the sale. As the Consideration Shares have been

¹³ Andromeda's interest as at 31 December 2023, prior to subsequent completion of sale occurring on 24 January 2024.

¹⁴ Refer ADN ASX dated 18 December 2023 titled *Sale of Moonta Copper Gold Project*.

¹⁵ Refer ADN ASX dated 24 January 2024 titled *Completion of Sale of Moonta Copper Gold Project*.

¹⁶ Refer ADN ASX dated 15 November 2023 titled *Sale of remaining 25% interest in Wudinna Gold Project*.

issued in advance of completion, they are subject to a call option in favour of Cobra, obliging Peninsula to sell all the Consideration Shares for £1 in total if the conditions precedent are not satisfied and the Agreement with Cobra terminates without completion occurring. The Consideration Shares are subject to escrow (subject to standard exclusions) until the earlier of:

- i. when LAM becomes the registered holder of the tenements applicable to the Wudinna Project (via tenement transfer or the subdivision process in section 30AA of South Australia's Mining Act 1971; or
- ii. the date that is 12 months from the date of issue of the Consideration Shares.

The remaining condition precedent to be satisfied relates to third party consents required for the transaction.

Research Projects

The Company continued to strategically assess the optionality of its research opportunities following the completion of its revised Commercial Strategy, which determined they were Adjacent opportunities.

During the period, a strategic review of the Carbon Capture & Conversion Project (CC&C Project), was conducted. The review outcomes led to a decision being taken to recycle the contained steel included in the Carbon Capture Pilot Plant¹⁷.

The Company continues to retain ownership of CC&C Project intellectual property (IP) and business opportunity.

Funding

During the period, the Group continued moving towards making a final investment decision while evaluating funding arrangements that best suit the long-term interests of the Company and its shareholders.

The financing arrangements considered include a range of debt and equity mix options.

Discussions with potential debt financiers continued, supported by the development of a Bankable Feasibility Study, while completion of the 2023 DFS supported discussions with potential equity financiers.

Outlook and Future Developments

Looking forward, the Company's primary focus will continue to be directed towards further advancing TGWP, through the following:

- Finalise ongoing discussions aimed at securing further binding offtake agreements;
- Finalise ongoing discussions aimed at securing debt financing of TGWP;
- Progress discussions aimed at securing potential investments by cornerstone or strategic investors
- Subject to securing the required funding and a final investment decision being made, progress with construction on TGWP; and,
- Continue exploration activities focused on prospects with complementary attributes to TGWP.

¹⁷ Refer ADN ASX dated 16 November 2023 titled *Investor Update – Presentation*.

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.

Competent Persons Statements

Information in this report that relates to the Exploration Results for The Great White Project, Eyre Kaolin Project and Mt Hope Halloysite-Kaolin Project are 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

On 19 January 2024, a Binding Sales and Distribution Agreement with IberoClays SLU, was signed.

On 25 January 2024:

- the Company received payment of A\$3.1 million tax refund due to research and development incentives for activity conducted during the 2023 financial year, from the Australian Tax Office;
- the sale of the Moonta Copper Gold Project completed; and,
- 52,010,000 Cobra shares were issued to Andromeda's wholly owned subsidiary Peninsula Resources Pty Ltd, in advance of the completion of the sale of Wudinna Gold Project.

On 2 February 2024, independent Non-Executive Director, Melissa Holzberger stepped down from the Board, reflecting a change in her board commitments.

On 21 February 2024, Sue-Ann Higgins was appointed as an Independent Non-Executive Director of the Company.

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 14 of the half-year financial report.

Dated at Adelaide this 14th day of March 2024 and signed in accordance with a resolution of the directors.



Robert Katsioularis
CEO & Managing Director



Michael Wilkes
Non-Executive Chair

14 March 2024

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

Dear Board Members,

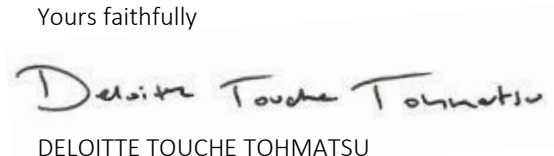
Auditor's Independence Declaration to Andromeda Metals Limited

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 2023, 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 2023**

	Note	Half-Year Ended 31/12/23	Half-Year Ended 31/12/22
		\$	\$
Other income	2	720,868	1,101,586
Impairment of exploration and evaluation assets		(853,792)	-
Exploration and evaluation expenditure expensed	3	(5,378)	(64,185)
Administration expenses		(909,336)	(955,335)
Corporate consulting expenses		(762,591)	(717,753)
Company promotion		(43,505)	(30,835)
Salaries and wages		(1,699,826)	(991,057)
Directors fees		(205,031)	(220,217)
Research & development		(528,631)	(1,915,205)
Share based remuneration	5	73,538	(324,506)
Loss before income tax		(4,213,684)	(4,117,507)
Income tax expense		-	-
Loss for the period		(4,213,684)	(4,117,507)
Other comprehensive income		-	-
Total comprehensive loss for the period		(4,213,684)	(4,117,507)
Earnings Per Share			
Basic (cents per share) – (Loss)		(0.14)	(0.13)
Diluted (cents per share) – (Loss)		(0.14)	(0.13)

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 2023**

	Note	31/12/23 \$	30/06/23 \$
CURRENT ASSETS			
Cash and cash equivalents		8,378,141	15,300,890
Trade and other receivables		3,586,392	2,841,021
Assets classified as held for sale		2,100,152	1,750,000
TOTAL CURRENT ASSETS		14,064,685	19,891,911
NON-CURRENT ASSETS			
Exploration and evaluation assets	3	141,715,830	142,124,436
Property, plant and equipment		4,421,416	2,714,037
Other financial assets		588,273	300,107
TOTAL NON-CURRENT ASSETS		146,725,519	145,138,580
TOTAL ASSETS		160,790,204	165,030,491
CURRENT LIABILITIES			
Trade and other payables		1,929,993	1,730,341
Provisions		265,154	309,711
Lease liabilities		207,217	200,576
TOTAL CURRENT LIABILITIES		2,402,364	2,240,628
NON-CURRENT LIABILITIES			
Provisions		96,683	106,480
Lease liabilities		421,536	526,540
TOTAL NON-CURRENT LIABILITIES		518,219	633,020
TOTAL LIABILITIES		2,920,583	2,873,648
NET ASSETS		157,869,621	162,156,843
EQUITY			
Issued capital	4	219,882,120	219,882,120
Reserves		1,070,437	5,213,883
Accumulated losses		(63,082,936)	(62,939,160)
TOTAL EQUITY		157,869,621	162,156,843

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 2023

	Issued capital	Share Option Reserve	NCI Acquisition Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2023	219,882,120	4,287,070	926,813	(62,939,160)	162,156,843
Loss for the period	-	-	-	(4,213,684)	(4,213,684)
Total comprehensive income (loss) for the period	-	-	-	(4,213,684)	(4,213,684)
Fair value of options issued to directors	-	35,693	-	-	35,693
Fair value of performance rights issued to directors	-	97,235	-	-	97,235
Fair value of performance rights issued to employees	-	42,504	-	-	42,504
Performance Rights Forfeited	-	(36,392)	-	-	(36,392)
Performance Rights Expired	-	(3,363,042)	-	3,363,042	-
Options Forfeited	-	(212,578)	-	-	(212,578)
Options Expired	-	(706,866)	-	706,866	-
Balance at 31 December 2023	219,882,120	143,624	926,813	(63,082,936)	157,869,621
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

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 2023

	Note	Half-Year Ended 31/12/23 \$	Half-Year Ended 31/12/22 \$
Cash flows related to operating activities			
Government grants received		516,308	-
Payments to suppliers and employees		(4,000,822)	(4,476,554)
Net cash used in operating activities		<u>(3,484,514)</u>	<u>(4,476,554)</u>
Cash flows related to investing activities			
Interest received		202,839	107,463
Government grants received		690,630	-
Payment/Refund for Bank Guarantee		7,000	32,523
Payments for exploration and evaluation expenditure		(2,561,661)	(4,165,207)
Payments for plant and equipment		(1,656,494)	(331,599)
Net cash used in investing activities		<u>(3,317,686)</u>	<u>(4,356,820)</u>
Cash flows related to financing activities			
Lease payments		(109,456)	(94,490)
Interest paid		(11,093)	(13,106)
Net cash used in financing activities		<u>(120,549)</u>	<u>(107,596)</u>
Net decrease in cash and cash equivalents		(6,922,749)	(8,940,970)
Cash and cash equivalents at beginning of financial period		15,300,890	32,853,203
Cash and cash equivalents at end of financial period		<u>8,378,141</u>	<u>23,912,233</u>

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 2023

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 2023 annual financial report, other than as disclosed below.

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2023. There has been no material impact to the financial statements of the Group from adopting the updated Standards.

Standard/Interpretation	Application Date of Standard	Application Date for Group
AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates Amends Australian Accounting Standards to improve accounting policy disclosures so that they provide more useful information to investors users of the financial statements and clarify the distinction between accounting policies and accounting estimates.	1 January 2023	1 July 2023
AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction Amends AASB 112 Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations.	1 January 2023	1 July 2023

Going Concern

The consolidated financial statements have been prepared on the going concern basis, which assumes that the Group will continue normal business activities, realise its assets and discharge its liabilities in the ordinary course of business for a period of at least 12 months from the date these financial statements are approved.

For the half year ended 31 December 2023 the Group incurred a net loss of \$4,075,390 (31 December 2022: \$4,117,507), and experienced net cash outflows from operating and investing activities of \$6,802,200 (31 December 2022: \$8,833,374). At 31 December 2023, the Group has cash reserves of \$8,378,141 (31 December 2022: \$23,912,233).

The Directors, in their consideration of the appropriateness of using the going concern basis for the preparation of the financial statements, have had regard to the following matters:

- The Group continues to pursue its flagship development, the Great White project. Certain activities will continue to be undertaken on the Project such as the procurement of certain long lead items, development of a skeleton start up project team and preliminary construction activities in advance of a final investment decision for the Great White project.

- It is noted that substantial expenditure to develop the Project will only take place once a final investment decision has been made following the securing of the required debt and equity funding.
- The Group has been in recent dialogue with a select number of debt capital market participants in relation to The Great White project. Progress is being made towards finding an appropriate debt funding package to partially support the Project's funding needs, however this remains subject to certain deliverables, including minimum offtake revenue streams which continue to be developed.
- Should funding for The Great White project not be secured by May 2024, uncommitted expenditure will cease until funding is secured. Under this scenario, management have prepared a cash flow forecast for the period ending 31 March 2025 which indicates minimum funding of \$5.0 million will be required progressively over the period commencing from September 2024 by way of debt, equity or other forms of funding to continue to progress the Group's projects through to 31 March 2025.
- The Group is pursuing other funding options in addition to debt for The Great White project and for general corporate purposes, in order to provide coverage for the Group's non-Project expenditure and coverage for the Project's development up to initial commercial production should an investment decision be made for the Project.
- The 2023 DFS for The Great White Project indicates a revised Net Present Value increase of 65% from the 2022 DFS, to \$1.01 billion.

In considering the above and the factors available to the Directors to manage the Group's risks, the Directors are satisfied it remains appropriate to prepare the financial statements on the going concern basis.

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

No adjustments have been made to the financial statements relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. OTHER INCOME

	Half-Year Ended 31/12/23 \$	Half-Year Ended 31/12/22 \$
Interest income on bank deposits	118,742	186,218
Research and development incentives (i)	559,481	914,158
Other	42,645	1,210
	<u>720,868</u>	<u>1,101,586</u>

- (i) Research & Development tax incentives made up of \$356,196 adjustment for FY23 R&D Incentive and accrual of \$203,285 for half year ended 31/12/2023 relating to Research & Development expenditure.

3. EXPLORATION AND EVALUATION ASSETS

	Half-Year Ended 31/12/23 \$	Year Ended 30/06/23 \$
Costs brought forward	142,124,436	137,367,031
Expenditure incurred during the period (net)	2,630,342	7,372,212
Research and development incentives (i)	(1,579,626)	(370,220)
	<u>143,175,152</u>	<u>144,369,023</u>
Impairment of exploration and evaluation expenditure assets		
Exploration impaired	(853,792)	(672,213)
Exploration written off	(5,378)	(72,374)
Transfer to assets held for sale	(600,152)	(1,500,000)
	<u>141,715,830</u>	<u>142,124,436</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 31/12/23 \$	Half-Year Ended 31/12/22 \$
Fully paid ordinary shares	219,934,341	219,892,341
Treasury shares	(52,221)	(52,221)
	<u>219,882,120</u>	<u>219,840,120</u>

Movement in issued shares for the year:

	Half-Year Ended 31/12/23 No.	Half-Year Ended 31/12/23 \$	Half-Year Ended 31/12/22 No.	Half-Year Ended 31/12/22 \$
<u>Fully paid ordinary shares</u>				
Balance at 1 July	3,110,270,932	219,934,341	3,108,008,432	219,302,341
Exercise of unlisted options	-	-	2,000,000	590,000
Balance at 31 December	<u>3,110,270,932</u>	<u>219,934,341</u>	<u>3,110,008,432</u>	<u>219,892,341</u>
<u>Treasury shares</u>				
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>3,108,163,432</u>	<u>219,882,120</u>	<u>3,107,900,932</u>	<u>219,840,120</u>

5. SHARE OPTIONS AND PERFORMANCE RIGHTS

Half-year ended 31 December 2023

During the half-year ended 31 December 2023 the Company did not issue any share options or 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.

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 2023.

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

On 19 January 2024, a Binding Sales and Distribution Agreement with IberoClays SLU, was signed.

On 25 January 2024:

- the Company received payment of A\$3.1 million tax refund due to research and development incentives for activity conducted during the 2023 financial year, from the Australian Tax Office;
- the sale of the Moonta Copper Gold Project completed; and,
- 52,010,000 Cobra shares were issued to Andromeda's wholly owned subsidiary Peninsula Resources Pty Ltd, in advance of the completion of the sale of Wudinna Gold Project.

On 2 February 2024, independent Non-Executive Director, Melissa Holzberger stepped down from the Board, reflecting a change in her board commitments.

On 21 February 2024, Sue-Ann Higgins was appointed as an Independent Non-Executive Director of the Company.

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



Robert Katsioularis
CEO & Managing Director



Michael Wilkes
Non-Executive Chair

Adelaide, South Australia
14th March 2024

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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 2023, 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 page 24.

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 2023 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which indicates that the Group incurred net losses of \$4,213,684, experienced net cash outflows from operating activities of \$3,484,514 and net cash outflows from investing activities of \$3,317,686 for the period ended 31 December 2023. 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.

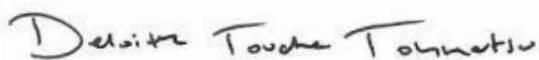
Directors' Responsibilities for the Half-year Financial Report

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.

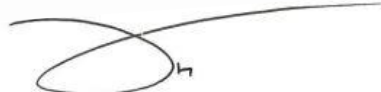
Auditor's Responsibilities for the Review of the Half-year Financial Report

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 2023 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



Darren Hall

Partner

Chartered Accountants

Adelaide, 14 March 2024