



METALS

ASX announcement

31 October 2017

Eyre Peninsula Gold Project (100% owned), South Australia

\$5 million farm-in and joint venture to progress Wudinna gold project - SA

Andromeda Metals Limited has executed a binding Heads of Agreement with Lady Alice Mines Pty Ltd ("LAM") to form the Wudinna Gold Farm-In and Joint Venture over the Company's 100% owned tenements on the Eyre Peninsula of South Australia.

- Under the terms of the Agreement, LAM will sole fund up to \$5 million through a staged earn-in over a maximum six year period to earn up to 75% equity.
- Lady Alice Mines Pty Ltd is an Australian mineral exploration group owned by interests associated with geologist David Clarke and investment banker Bruce Parncutt AO.
- The deal will see a substantial increase in activity on the Eyre Peninsula project, significantly progressing the Wudinna Gold Camp Mineral Resources towards decision to mine.
- Additionally, the Agreement will allow Andromeda Metals to focus exploration activities on its other assets including completing due diligence on the recently announced Pilbara gold project (WA) and advancing the prospective Drummond epithermal gold project (QLD).

The Wudinna Gold Farm-in and Joint Venture, coupled with a recently completed over-subscribed placement, a planned fully underwritten Rights Issue, a restructured Board, and a new project in the exciting Pilbara region of WA, leaves Andromeda Metals well positioned to deliver Shareholder value.

Chris Drown
Managing Director

Direct enquiries to Chris Drown. Ph (08) 8271 0600 or 0427 770 653.



Andromeda Metals Limited
ABN: 75 061 503 375

Corporate details:

ASX Code: ADN
Cash: \$0.734 million

Issued Capital:
566,451,503 ordinary shares
23,612,610 listed options
56,238 unlisted options

Directors:

Rhoderick Grivas
Non-Executive Chairman

Chris Drown
Managing Director

Nick Harding
Executive Director and
Company Secretary

Andrew Shearer
Non-Executive Director

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Fact: Andromeda Metals was the first exploration company to discover gold on the area held under the Eyre Peninsula project tenements.

Prior to the commencement of ADN's exploration effort there were no recorded gold occurrences in the district.

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Introduction

Andromeda Metals Limited (“ADN”) has executed a binding Heads of Agreement with Lady Alice Mines Pty Ltd (“LAM”) to form the Wudinna Gold Farm-in and Joint Venture over the Company’s Eyre Peninsula Gold Project in South Australia.

The Eyre Peninsula Gold Project comprises six wholly owned tenements that secure 2,052km² of ground north and east of the town of Wudinna (Figure 1). A seventh Eyre Peninsula tenement is subject to the Thurlga Joint Venture with Investigator Resources Limited and is not involved in the deal announced herein.

The Eyre Peninsula Gold project includes the Wudinna Gold Camp, a cluster of close spaced gold prospects including the Barns, Baggy Green and White Tank deposits which have been the recent focus of Andromeda Metals’ exploration activities.

Lady Alice Mines Pty Ltd is an Australian mineral exploration group owned by interests associated with geologist David Clarke and investment banker Bruce Parncutt AO.

Wudinna Gold Farm-in and Joint Venture

The principal terms of the Wudinna Gold Farm-in and Joint Venture include:

- LAM will sole fund \$2.1 million within 3 years of execution to earn a 50% equity position (Stage 1 earn-in).
- At the end of Stage 1, a joint venture can be formed, or alternatively LAM can spend a further \$1.65 million over a further two years (total funding of \$3.75 million over 5 years) to earn a 65% equity interest (Stage 2 earn-in).
- At the end of Stage 2, a joint venture can be formed, or alternatively LAM can spend a further \$1.25 million over a further 12 months (total funding of \$5.0 million over 6 years) to earn a 75% equity interest (Stage 3 earn-in).
- Once a joint venture is formed, the parties will contribute to further expenditure in accordance with their respective equity, or dilute using a standard dilution procedure.
- Should a party’s equity fall below 5%, its equity will be compulsorily acquired by the other party at a price to be negotiated in good faith, or failing agreement, at a price determined by an independent valuer.
- LAM must expend \$100,000 before it has a right to withdraw from the agreement.
- LAM must meet the requisite statutory expenditure requirements to keep the project tenements in good standing.
- LAM will act as manager during the farm-in and thereafter while ever it holds at least 50% equity.
- Subject to agreeing mutually acceptable terms, Andromeda Metals will be contracted to act as operator for the first 12 months of the agreement, renewable annually at LAM’s election. ADN will be entitled to charge an administrative fee while operator.

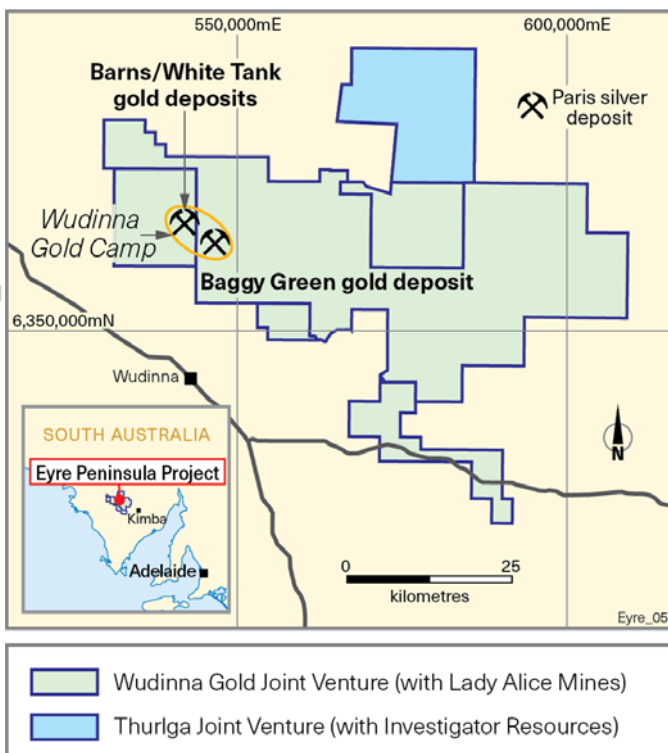


Figure 1: Eyre Peninsula project location plan.

Significance of the Wudinna Gold deal to Andromeda Metals

Andromeda Metals has progressed the Eyre Peninsula gold project from an initial state where there were no recorded gold occurrences in the district, to its status now where gold mineralisation has been discovered and delineated. Mineral Resources totalling 200,000 ounces of gold have been estimated for deposits in the Wudinna Gold Camp, successful metallurgical testwork has been undertaken, and the project shows potential as a future mine development project.

However, much costly work remains to be done before the Company can realise its goal of putting the project into profitable production. This work includes an effort to increase the Wudinna Gold Camp Mineral Resource base through successful local exploration, significant infill drilling to allow reclassification of Inferred Resources to Indicated Resources following which Ore Reserves can be estimated, optimisation of metallurgical flowsheets, mine design, economic modelling and mine permitting.

The Wudinna Gold Farm-In and Joint Venture agreement puts in place the funding required to undertake many of these tasks and substantially advance the project towards a decision to mine.

Wudinna Gold Camp details

The Barns, Baggy Green and White Tank gold deposits of the Wudinna Gold Camp were discovered by drill testing gold in calcrete geochemical anomalies. Each deposit occurs as shallow dipping structurally controlled zones of mineralisation associated with broad hydrothermal alteration zones.

Geologically, the deposits are located in the Central Gawler Gold Province and formed ~1590 million years ago during the regionally extensive Hiltaba/GRV tectono-thermal event, the same event associated with the formation of the Olympic Dam and Prominent Hill IOCG deposits, and the Tarcoola gold deposit which also falls in the Central Gawler Gold Province.

Mineral Resources estimated in accordance with the JORC Code 2012 have been announced for Barns (in 2016) and for Baggy Green and White Tank (in 2017).

The consolidated Wudinna Gold Camp Mineral Resource totals 3.84 million tonnes at 1.62g/t gold for 200,300 ounces using a 0.5g/t gold cut-off grade, 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 (Table 1).

Wudinna Gold Camp consolidated classified Mineral Resources

Deposit	Mineralisation	Cut-off g/t Au	Indicated		Inferred		Total				
			Tonnes	g/t Au	Ounces	Tonnes	g/t Au	Ounces	Tonnes	g/t Au	Ounces
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 Australasian 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.

JORC Note: The table above is taken from ADN's ASX release dated 23 January 2017 titled "Wudinna Gold Camp Mineral Resource jumps to 200,000 ounces of gold." for which the Competent Persons were Mr David Adams, an employee of Andromeda Metals, and Mr David Coventry an employee of Mining Plus Pty Ltd. The Company confirms that all material assumptions and technical parameters underpinning the estimate reported in the 23 Jan 2017 ASX release continue to apply and have not materially changed, and that the form and context of the findings of the Competent Persons of the 23 Jan 2017 ASX release have not been materially modified.

Metallurgical testing has been conducted on samples from both the Barns and Baggy Green deposits. A combination of conventional gravity and cyanide leaching gave outstanding gold recoveries ranging from 94.3% to 99.3% and averaging 97.7% across all samples.

Excellent opportunities to increase the Mineral Resource inventory in the Wudinna Gold Camp exist, with targets and exploration opportunities already defined.

Exemplary of the opportunities that exist to increase the resource base are drill intersections at Baggy Green, including 11m at 9.32g/t gold and 16 metres at 5.72g/t gold, which remain open along strike to the north.

The parties to the Wudinna Gold Farm-in and Joint Venture will now meet to plan the first phase of exploration to be completed under the agreement.

Competent Person Statement

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.

JORC 2012 note

The information relating to Andromeda Metals' past exploration results and its assessment of exploration completed by past 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 relating to Andromeda Metals' exploration since 1 December 2013 has been reported in compliance with the JORC Code 2012. See ADN's ASX releases dated 19 July 2016 titled "Maiden 107,000 ounce gold resource for Barns deposit"; dated 23 January 2017 titled "Wudinna Gold Camp Mineral Resource jumps to 200,000 ounces of gold"; dated 16 January 2017 titled "Barns metallurgy results deliver 97% plus gold recovery with conventional flowsheet"; and dated 6 July 2017 titled "Superb metallurgical gold recoveries to 99.3% at Baggy Green using conventional flowsheet".

Forward-Looking Statements

This ASX release may include forward-looking statements concerning Andromeda Metals Limited. Forward- looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward- looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward looking statements in this document are based on Andromeda Metals' beliefs, opinions and estimates of Andromeda Metals as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future development.