

ANDIAMO EXPLORATION LIMITED
(registered in England & Wales with company number 06515287)

ANNUAL REPORT AND NON-STATUTORY FINANCIAL STATEMENTS

Year ended 31 December 2010



ANDIAMO EXPLORATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2010

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ANDIAMO EXPLORATION LIMITED

OFFICERS AND ADVISORS

Directors

Dr CTP Williams
Dr S Berhe
WJ Fisher
M Parker

Registered Office

16 Chinnocks Wharf
42, Narrow Street
London
E14 8DJ
UK

Company Secretary

Cripps Secretaries Ltd

Company Registration Number

06515287

Auditor

Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Legal Advisers

DMH Stallard LLP
6 New Street Square
New Fetter Lane
London EC4A 3BF

Cripps Harries Hall LLP
Wallside House
12 Mount Ephraim Road
Tunbridge Wells TN1 1EG

ANDIAMO EXPLORATION LIMITED

Chairman's Statement

Since the award of the Haykota exploration licence in July 2009, Andiamo Exploration Ltd. has been conducting an intensive exploration campaign, which included remote sensing studies, regional and detailed geological mapping, soil and rock chip geochemical sampling, and exploratory drilling at Yacob Dewar and Ber Gebey. An extensive regional and detailed gravity survey was carried out by Geo-Surveys International Inc. and has developed an in-house capacity to carry out detailed IP/Resistivity surveys within the licence area.

Based on the mapping programme, satellite image interpretation, gravity survey and rock chip and soil sampling Andiamo Exploration has identified very prospective areas for VMS deposits at Ber Gebey and Yakob Dewar gossans, where the gravity surveys have located significant positive gravity anomalies in the vicinity of these gossans, although they are not perfectly coincident with the gossans.

Very prospective gold mineralized zones have also being identified at Berkele and Shambotai, where artisanal workers recover gold locally. The artisanal mining is conducted from quartz veins as well as from colluvial and alluvial deposits.

In the fourth quarter of 2010, the Company raised over US\$ 4.6MM through a private placement of shares at US\$ 0.50 per share. The net proceeds were used to advance the exploration of the Company's Haykota exploration licence.

Dr CTP Williams
Chairman

ANDIAMO EXPLORATION LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2010

DIRECTORS' REPORT

The directors present their report with the non-statutory financial statements of Andiamo Exploration Limited ("the Company") for the year ended 31 December 2010.

PRINCIPAL ACTIVITY

The principal activity of the Company in the period under review was that of exploration of gold and other metallic mining concessions in the Republic of Eritrea.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Company's financial performance for the year was in line with directors' expectations. The loss after taxation for the year to 31 December 2010 amounted to \$45,680 (year ended 31 December 2009: \$3,775). No dividends were paid during the year and none are proposed. A review of the activity of the business and future prospects is contained in the Chairman's Statement on page 4 which accompanies these non-statutory financial statements.

KEY PERFORMANCE INDICATORS

The key indicator of performance for the Company is its success in identifying, acquiring, developing and divesting investments in projects so as to create shareholder value.

Control of bank and cash balances is a priority for the Company and these are budgeted and monitored closely to ensure that it maintains adequate liquid resources to meet financial commitments as they arise.

At this stage in its development, quantitative key performance indicators are not an effective way to measure the Company's performance.

However, a qualitative summary of performance in the period is set out in the Chairman's Statement.

GOING CONCERN

These non-statutory financial statements are prepared on a going concern basis which the directors believe to be appropriate for the reasons given below and also in Note 3 to the non-statutory financial statements.

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only. Further funding will be required from time to time to finance the Company's activities. The directors have prepared cash flow projections for the next 12 months from the date of signing these non-statutory financial statements. On the basis of the cash flow projections, the directors are of the opinion that the Company will require additional financial resources in the twelve months from the date of signing these non-statutory financial statements to enable the Company to undertake an optimal programme of exploration activity in that period and to meet its commitments. The directors believe that they will be able to raise the required funds.

ANDIAMO EXPLORATION LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2010 (continued)

DIRECTORS

The directors who have held office (since incorporation unless stated) during the period and their interests in the Company's issued share capital are as follows:

Number of shares	At 31.12.2010	At 31.12.2009
Dr CTP Williams	4,251,000	1
Dr S Berhe	4,250,000	-
WJ Fisher	1,500,000	-
M Parker	150,000	-

No remuneration was paid to the directors during the period ended 31 December 2010.

PRINCIPAL RISKS AND UNCERTAINTIES

In common with other companies operating in natural resources exploration, the Company's activities are speculative and involve a high degree of risk.

The Company's exploration work involves participation in geological work programmes. Interpretations of the results of these programmes are dependent on judgements and assessments that are speculative and these interpretations are applied in designing further work programmes to which the Company can commit significant resources.

Work programmes often involve drilling and other geological work that present significant engineering challenges that are subject to unexpected operational problems. Furthermore, activities generally take place in remote locations that can be subject to unexpected climate events, and possible acts of terrorism, criminal threats and piracy and potential environmental risks.

The Company operates in the Republic of Eritrea where political, economic, legal, regulatory and social uncertainties are potential risk factors.

ANDIAMO EXPLORATION LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2010 (continued)

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to financial risks that include credit risk, liquidity risk, and market risks. The Company does not have any debt and is not therefore required to use derivative financial instruments to manage interest rate costs nor is hedge accounting applied.

1. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. In keeping with similar sized exploration companies, the Company's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

2. Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return on risk.

(i) Pricing and risks

The directors consider there to be minimal price risk to the business.

(ii) Interest rate cash flow risk

The Company does not have interest-bearing liabilities. Interest bearing assets are only cash balances that earn interest at a floating rate.

(iii) Foreign exchange risk

The Company principally operates in US Dollars. Amounts transferred to Eritrea to fund activities in country, and amounts payable in the local currency, the Eritrean Nakfa (ERN') can only be converted at the official rate of exchange of ERN15:\$1. The directors therefore believe that there would be no benefit gained from hedging these currency exposures contracts in the market. This situation is monitored on a regular basis.

ANDIAMO EXPLORATION LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2010 (continued)

3. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to Shareholders through the optimisation of debt and equity balances. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust its capital structure, the Company may from time to time issue new shares or raise debt. The capital structure of the Company consists of equity attributable to its shareholders, comprising issued capital, reserves and retained losses as disclosed in the Statement of Changes in Equity.

4. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The exposure of the Company to credit risk arises from default of its counterparty, with maximum exposure equal to the carrying amount of cash and cash equivalents in the Company's Statement of Financial Position. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are connected entities.

The Company does not hold any collateral as security.

CORPORATE GOVERNANCE

Corporate Policies

The Company takes its health, safety, environmental and community responsibilities seriously, and has developed policies and systems to ensure that it explores in a safe, low impact and consultative manner, maximising the sustainability of its present and future operations for the benefit of all stakeholders.

Health and Safety

The Company takes the health and safety of its employees and contractors seriously, and strives to exceed statutory obligations and achieve best practice. To this end, a new safety management system has been implemented for its exploration operations.

ANDIAMO EXPLORATION LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2010 (continued)

CORPORATE GOVERNANCE (continued)

Environment

The Company operates in strict adherence to local and governmental standards with regard to environmental impact on the local community. This procedure includes pre-exploration checks and post-exploration remediation programs. Currently, no unfulfilled commitments exist to remediate land upon which the Company has conducted exploration work.

Community

The Company is committed to working consultatively and co-operatively within the communities in which it operates, which includes local subsistence farmers and pastoralists and firmly believes that future mining operations should be to the benefit of all.

To this end, the Company's personnel have forged close ties with landholders and maintain a constructive dialogue with the Ministry of Energy and Mines and local community representatives. The administrative areas of Grasha and Libanyay, both of which belong to the Haykota sub-zone, were identified as the core area of influence in terms of the project's potential social, physical, economic and cultural impacts.

Corporate Governance

Although not required to comply with the requirements of the UK Corporate Governance Code ('the Code'), the Directors take note of its provisions and of the QCA Corporate Governance Guidelines for Smaller Quoted Companies and follow best practice therein to the extent that they believe it is appropriate in light of the size, stage of development and resources of the Company. At present, due to the size of the Company, audit and risk management issues will be addressed by the Board. As the Company grows, the Board will consider establishing an audit and risk management committee and will consider developing further policies and procedures which reflect the principles of good governance.

The board of directors comprises three full-time executive directors and one part-time non-executive director who qualifies as independent non-executive directors as defined by the Code. The directors are of the opinion that the recommendations of the Code have been implemented to an appropriate level.

The board meets at least 3 times a year. The board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day-to-day management is devolved to the country manager who is charged with consulting with the board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among directors concerned where necessary and appropriate.

ANDIAMO EXPLORATION LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2010 (continued)

CORPORATE GOVERNANCE (continued)

All necessary information is supplied to the directors on a timely basis to enable them to discharge their duties effectively, and all directors have access to independent professional advice, at the Company's expense, as and when required.

Supplier payment policy

It is the Company's policy to pay suppliers in accordance with the terms of business agreed with them, usually within 30 days.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors have elected to prepare the non-statutory financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU") and applicable law.

In preparing these non-statutory financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the non-statutory financial statements;
- prepare the non-statutory financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ANDIAMO EXPLORATION LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2010 (continued)

The directors are responsible for the maintenance and integrity of the Company's web-site www.andiamoexploration.com. Legislation in the UK governing the preparation and dissemination of non-statutory financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of the Board



**CTP Williams
Director**

Date: 31st August 2012

ANDIAMO EXPLORATION LIMITED

INDEPENDENT AUDITOR'S REPORT

We have audited the non-statutory financial statements of Andiamo Exploration Limited for the period ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Equity and the related notes.

The financial reporting framework that has been applied in the preparation of the non-statutory financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the non-statutory financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory financial statements sufficient to give reasonable assurance that the non-statutory financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the non-statutory financial statements.

We read all the financial and non financial information in the Directors' Report and Chairman's Statement to identify material inconsistencies with the audited non-statutory financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the non-statutory financial statements give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the period then ended;
- the non-statutory financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

ANDIAMO EXPLORATION LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

- the non-statutory financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter

In forming our opinion on the financial statement, which is not modified, we have considered the adequacy of the disclosure made in note 3 regarding the company's ability to continue as a going concern. The future operations of the company are dependent on raising the additional funding required to cover both working capital and the operational needs of the company's exploration activities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The non-statutory financial statements do not include the adjustments that would result if the company were not to continue as a going concern.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP

Registered Auditor

London

31 August 2012

ANDIAMO EXPLORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

		Year ended 31 December 2010	Year ended 31 December 2009
	Note	\$	\$
Administrative expenses – (operating loss)	6	(45,680)	(3,775)
Loss on ordinary activities before taxation		(45,680)	(3,775)
Taxation	7	=	=
Loss for the period		<u>(45,680)</u>	<u>(3,775)</u>
Other comprehensive income		=	=
Total comprehensive loss for the period		<u>(45,680)</u>	<u>(3,775)</u>
Loss for the period and Total comprehensive loss attributable to:			
Ordinary shareholders		(45,680)	(3,775)
Non-controlling interest		-	-
Loss per ordinary share (US\$)			
From continuing operations: basic and diluted	9	<u>(0.002)</u>	<u>(nmf)</u>

The notes on pages 18 to 35 form an integral part of these non-statutory financial statements.

ANDIAMO EXPLORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Share Capital	Share Premium	Profit & Loss Account	Total
	\$	\$	\$	\$
Balance at 1 January 2010	1	-	(3,775)	(3,774)
Loss and total comprehensive income for the year	-	-	(45,680)	(45,680)
Issue of shares, net of share issue costs	<u>29,295</u>	<u>4,594,348</u>	-	<u>4,623,643</u>
Balance at 31 December 2010	<u>29,296</u>	<u>4,594,348</u>	<u>(49,455)</u>	<u>4,574,189</u>

Year ended 31 December 2009

	Share Capital	Share Premium	Profit & Loss Account	Total
	\$	\$	\$	\$
Balance at 1 January 2009	1	-	-	<u>1</u>
Loss and total comprehensive income for the year	-	-	(3,775)	(3,775)
Issue of shares, net of share issue costs	-	-	-	-
Balance at 31 December 2009	<u>1</u>	-	<u>(3,775)</u>	<u>(3,774)</u>

ANDIAMO EXPLORATION LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

		2010	2009
	Note	\$	\$
NON CURRENT ASSETS			
Intangible assets	9	1,320,338	326,321
Plant and equipment	10	110,304	693
CURRENT ASSETS			
Cash at bank	13	1,356,668	7,233
Trade and other receivables	11	2,306,782	-
TOTAL ASSETS		<u>5,094,092</u>	<u>244,247</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	78,623	44,798
Loans from Directors	15	441,280	203,222
TOTAL LIABILITIES		<u>519,903</u>	<u>248,020</u>
NET ASSETS		<u>4,574,189</u>	<u>(3,774)</u>
SHAREHOLDERS EQUITY			
Share capital	14	29,296	1
Share premium account	14	4,594,348	-
Profit and loss account		<u>(49,455)</u>	<u>(3,775)</u>
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>4,574,189</u>	<u>(3,774)</u>

The non-statutory financial statements on pages 14 to 17 were approved and authorised for issue by the Board of Directors on 31 August 2012.



CTP Williams

Director

The notes on pages 18 to 35 form an integral part of these non-statutory financial statements.

ANDIAMO EXPLORATION LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Year ended 31 December 2010 \$	Year ended 31 December 2009 \$
Cash flows from operating activities		
Loss before taxation	(45,680)	(3,775)
Increase in trade and other receivables	(2,306,782)	-
Increase in trade and other payables	33,825	44,798
Net cash flows used in operating activities	<u>(2,318,637)</u>	<u>41,023</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,084,017)	(236,220)
Purchase of tangible fixed assets	<u>(109,610)</u>	(693)
Net cash used in investing activities	<u>(1,193,627)</u>	<u>(237,013)</u>
Cash flows from financing activities		
Increase in loans from Directors	238,058	203,223
Issue of shares, net of share issue costs	<u>4,623,643</u>	-
Net cash from financing activities	<u>4,861,701</u>	<u>203,223</u>
Increase in cash and cash equivalents	<u>1,349,435</u>	<u>7,233</u>
Cash and cash equivalents at beginning of period	<u>7,233</u>	-
Cash and cash equivalents at end of period	<u>1,356,668</u>	<u>7,233</u>

The notes on pages 18 to 35 form an integral part of these non-statutory financial statements.

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

1. NATURE OF OPERATIONS

These non-statutory financial statements are for Andiamo Exploration Limited (“the Company”). The registered office of the Company is Wax Chandlers Hall, 6 Gresham Street, London EC2V 7AD. The Company is domiciled in England and Wales and incorporated under the Companies Act 2006. The nature of the Company’s operations and its principal activities are set out in the Directors’ Report on page 5. The principal place of business of the Company is in Eritrea.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of evaluation and exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's exploration assets are located outside of the United Kingdom and are subject to the risk of foreign investment, including political uncertainty, increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements.

These non-statutory financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2010 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with funds currently on hand and / or through raising equity.

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

2. GENERAL INFORMATION ON THE COMPANY

Andiamo Exploration Limited prepares its financial statements in accordance with applicable International Financial Reporting Standards (IFRS) and interpretations issued by the IASB as adopted by the European Union.

At the date of authorisation of these non-statutory financial statements, the following standards and interpretations were in issue, but not yet effective:

Issued but not yet EU adopted

- IFRS 1 Amendments severe hyper inflation and removal of fixed dates for first time adoption*
- IFRS 9 Financial Instruments*
- IFRS 10 Consolidated financial statements*
- IFRS 11 Joint arrangements*
- IFRS 13 Fair value management*
- IAS 1(amended) Presentation of items other than comprehensive income*
- IAS 12 (amended) Deferred tax: Recovery of underlying assets*
- IAS10 (amended) Employee benefits*
- IAS 27 Separate financial statements*
- IAS 28 Investments in associates and joint ventures*
- IFIC 20 Stripping costs in the production phase of a surface mine*

Issued and EU adopted

- IFRS 7(Amended) financial instruments: Disclosure*

The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Company's reported results. The non-statutory financial statements are rounded to the nearest US\$.

3. ACCOUNTING POLICIES

The accounting policies, applied on a consistent basis in the preparation of the non-statutory financial statements, are as follows:

Basis of preparation

The non-statutory financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union.

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

3. ACCOUNTING POLICIES (continued)

Previously published comparative figures for the year ended 31 December 2010, which had not been subject to audit, have been restated as set out in Note 17.

The non-statutory financial statements comprise the financial statements of the Company and incorporate the results and balances of the Company's branch in Eritrea. The results and balances of the Eritrean branch are prepared using the same accounting policies as those of the Company and to the same reporting date.

All balances, transactions, income and expenses and profit and losses resulting from transactions between the Company and its Eritrean branch that are recognized in assets are eliminated in full.

Going Concern

The non-statutory financial statements have been prepared assuming the Company will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the necessity of liquidation, nor ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only. Further funding will be required from time to time to finance the Company's activities. The directors have prepared cash flow projections for the next 12 months from the date of signing these non-statutory financial statements. On the basis of the cash flow projections, the directors are of the opinion that the Company will require additional financial resources in the twelve months from the date of signing these non-statutory financial statements to enable the Company to undertake an optimal programme of exploration activity in that period and to meet its commitments. The directors believe that they will be able to raise the required funds.

Plant and equipment

Plant and equipment are recorded at cost. Plant and equipment associated with mining operations will be depreciated over the estimated useful lives of the assets upon commencement of commercial production. All other equipment are depreciated over the estimated useful lives of the assets using the straight line method at the following rates per annum.

Motor Vehicles	20%
Office & Field Furniture & Equipment	10%
Field Machinery & Camp equipment	20%
Computer and accessories	33.33%

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

3 ACCOUNTING POLICIES (continued)

Exploration and evaluation and development costs

Exploration and evaluation costs related to an area of geological interest are carried forward as an intangible asset in the statement of financial position where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively by its sale. This expenditure will be carried at cost less accumulated amortisation and impairment. Where these conditions are not met, such costs will be written off as incurred.

Development expenditure incurred by or on behalf of the Company or acquired from a third party is also classified as an intangible asset and is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises acquisition costs and other incurred costs directly attributable to the construction of the mine and the related infrastructure. This expenditure is carried at cost less accumulated amortisation and impairment.

Exploration, evaluation and development expenditure are categorised under deferred exploration and development costs, exploration data and prospecting rights and mining licences in the statement of financial position according to the nature of the expenditure. Exploration and development costs will include all directly attributable expenditure.

Once a development decision has been taken, the carrying amount of the exploration, evaluation and development expenditure in respect of the area of interest will be aggregated with the development expenditure and classified under non-current assets as "exploration and development and mining property" within property, plant and equipment.

No amortisation will be recognised in respect of exploration, evaluation and development expenditure until it is reclassified as a development property and production commences.

Exploration, evaluation and development expenditure and mining property is tested for impairment annually if facts and circumstances indicate that impairment may exist.

Exploration, evaluation and development expenditure will also be tested for impairment once commercial reserves are found, before the assets are transferred to "mining property"

Licences

Payments to acquire licence rights acquired will be amortised over the period of the licence to exploit such rights, typically three to thirty years. Provision will be made for any impairment in value, and the provision will be reviewed on an annual basis.

The carrying value of tangible fixed assets will be assessed annually and any impairment will be charged to the statement of comprehensive income. The expected useful economic life of tangible fixed assets will be reviewed annually.

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

3 ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Directors assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount.

An asset's recoverable amount will be the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset will be considered impaired and will be written down to its recoverable amount. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model will be used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Directors make an estimate of the recoverable amount. A previously recognised impairment loss will be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset will be increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Trade and other receivables

Trade and other receivables will arise from normal commercial transactions may be classified as "loans and receivables". These will be recognised at invoice value adjusted for any allowance for impairment. Impairment and any reversal will be recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Company's loans and receivables include cash and cash equivalents. These include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within current liabilities in the statement of financial position

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

3 ACCOUNTING POLICIES (continued)

Financial liabilities

The Company had no financial liabilities in the year ended 31 December 2010.

Trade and other payables

These are initially recognised at invoiced value. These will arise principally from the receipt of goods and services. There will be no material difference between the invoiced value and the value calculated on an amortised cost basis.

Foreign currency

The individual financial information of each the Company will be presented in the currency of the primary economic environment in which the entity operates (its functional currency). The US Dollar is both the functional currency and presentation currency for the Company and the Company's financial information. The functional currency of the Company's branch in Eritrea is the Eritrean Nakfa ('ERN') which is translated into US Dollars for presentational purposes at the fixed official rate of exchange.

In preparing the non-statutory financial statements, transactions in currencies other than the Company's functional currency ("foreign currencies") will be recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies will be retranslated at the rates prevailing at the balance sheet date.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items will be included in the statement of comprehensive income for the period.

For the purpose of presenting combined financial information, the assets and liabilities of the Company's Eritrean branch operations (including comparatives) will be expressed in US Dollars at the official exchange rate prevailing at the balance sheet date. Income and expense items will be translated at the average exchange rates for the period. Exchange differences arising, if any, will be held in equity and where material will be transferred to the translation reserve.

Taxation

Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

3 ACCOUNTING POLICIES (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it will no longer be probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Operating profit or loss

Operating profit or loss comprises revenues less operating costs. Operating costs comprise adjustments for raw materials and consumables used, employee costs, amortisation, depreciation and impairment and other operating expenses where applicable.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Critical accounting estimates and judgments

The Directors make estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that will have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Valuation of exploration, evaluation and development expenditure, mining property and mining equipment

The value of the Company's exploration, evaluation and development expenditure, mining property and mining equipment will be dependent upon the success of the Company in discovering economic and recoverable mineral resources, especially in the countries of operation where political, economic, legal, regulatory and social uncertainties are potential risk factors.

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

3 ACCOUNTING POLICIES (continued)

The estimation of future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates between the US Dollar, the UK £ Sterling and the ERN, and potential new legislation and related environmental requirements.

The Company's ability to continue its exploration programs and develop its projects is dependent on future fundraisings the outcome of which is uncertain.

The ability of the Company to continue operating within Eritrea is dependent on a stable political environment which is uncertain based on the history of the country. This may also impact the Company's legal title to assets held which would also impact on the Company.

There have been no changes made to any past assumptions.

Impairment testing

The recoverable amounts of cash generating units and individual assets will be determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations will require the use of estimates and assumptions. It is reasonably possible that assumptions may change which may impact the Directors' estimates and may then require a material adjustment to the carrying value of goodwill, tangible assets and intangible assets.

The Directors review and test the carrying value of tangible and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets will be grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates will be prepared of expected future cash flows for each group of assets.

Expected future cash flows used to determine the value in use of tangible and intangible assets will be inherently uncertain and could materially change over time.

Events after the balance sheet date

Post period-end events that provide additional information about the Company's position are reflected in the non-statutory financial statements. Post period-end events that are not adjusting events are disclosed in the notes when material

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

4. OPERATING SEGMENTS

The Company's operating segments have been determined based on geographical areas.

The Company undertakes only one business activity as described in the Director's Report.

The Company did not generate revenue during either the year ended 31 December 2010 or the period ended 31 December 2009.

The Company's results by reportable segment were as follows:

Year ended 31 December 2010

	UK \$	Eritrea \$	Total \$
RESULTS			
Operating loss	(37,249)	(8,431)	(45,680)
Interest income	-	-	-

Year ended 31 December 2009

	UK \$	Eritrea \$	Total \$
RESULTS			
Operating loss	(3,775)	-	(3,775)
Interest income	-	-	-

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

4. OPERATING SEGMENTS (Continued)

All transactions between each reportable segment are accounted for using the same accounting policies, as set out in note 3. The Company's assets and liabilities by reportable segment are as follows:

At 31 December 2010

	UK \$	Eritrea \$	Total \$
ASSETS			
Intangible Assets	412,587	907,751	1,320,338
Plant and equipment	-	110,304	110,304
Inventories	-	-	-
Trade Receivables	2,302,220	4,562	2,306,782
Cash	1,336,281	20,387	1,356,668
Total Assets	<u>4,051,088</u>	<u>1,043,004</u>	<u>5,094,092</u>

	UK \$	Eritrea \$	Total \$
LIABILITIES			
Creditors	17,153	61,470	78,623
Directors' Loans	<u>441,280</u>	-	<u>441,280</u>
Total liabilities	<u>458,433</u>	<u>61,470</u>	<u>519,903</u>

At 31 December 2009

	UK \$	Eritrea \$	Total \$
ASSETS			
Intangible Assets	134,628	101,693	236,620
Plant and equipment	-	693	693
Cash	7,233	-	7,233
Total Assets	<u>141,861</u>	<u>102,386</u>	<u>244,247</u>

	UK \$	Eritrea \$	Total \$
LIABILITIES			
Creditors	1,493	43,305	44,798
Directors' Loans	144,142	59,081	203,223
Total Liabilities	<u>145,635</u>	<u>102,386</u>	<u>248,020</u>

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

5. STAFF COSTS

	Year ended 31 December 2010	Year ended 31 December 2009
	\$	\$
Wages and salaries	44,953	13,391
Directors' fees	-	-
Total	<u>44,953</u>	<u>13,391</u>

The average monthly number of employees during the year was as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Directors	4	2
Employees	<u>10</u>	<u>2</u>
	<u>14</u>	<u>4</u>

No directors emoluments were paid during the year. Details of all transactions with directors are set out in note 15 to the non-statutory financial statements.

Key Management compensation

Key management includes the directors of the company only. There was no compensation paid or payable to key management for employee services during the period.

6. OPERATING LOSS IS STATED AFTER CHARGING:

	Year ended 31 December 2010	Year ended 31 December 2009
	\$	\$
Fees payable to the company's auditor for the audit of the company's annual accounts	9,600	9,600
Fees payable to the company's auditor and its associates for other services:	-	-
Fees payable to the company's branch auditor for the audit of the company's branch accounts:	<u>5,500</u>	<u>2,200</u>
	<u>15,100</u>	<u>11,800</u>

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

7. TAXATION

Analysis of the tax charge

	Year ended 31 December 2010 \$	Year ended 31 December 2009 \$
Current tax: Tax	—	—
Total tax charge in income statement	—	—

Reconciliation of the tax charge

	Year ended 31 December 2010 \$	Year ended 31 December 2009 \$
Loss before tax	<u>(45,680)</u>	<u>(3,775)</u>
Deferred tax asset: loss before tax multiplied by standard rate of corporation tax in the UK of 28%	12,790	1,057
Effects of: Deferred tax not provided	<u>(12,790)</u>	<u>(1,057)</u>
Total tax charge in income statement	—	—

A deferred tax asset has not been recognised in respect of deductible temporary differences relating to losses carried forward at the year end, as there is insufficient evidence that taxable profits will be available in the foreseeable future against which the deductible temporary difference can be utilised. The amount of the asset not recognised is \$12,790 (2009: \$1,057). The asset may be recovered if the Company made taxable profits in future years.

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

8. LOSS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	Year ended 31 December 2010	Year ended 31 December 2009
Weighted average number of ordinary shares in issue	11,081,422	1
Loss after taxation	\$(45,680)	\$(3,775)
Loss per share (cents)	0.4	nmf
	=====	=====

Due to there being a loss during the period there are no dilutive transactions and therefore no diluted loss per share has been presented (nmf = not meaningful)

9. INTANGIBLE ASSETS

	Exploration costs \$
Cost:	
At 1 January 2010	236,321
Additions	<u>1,084,017</u>
At 31 December 2010	<u>1,320,338</u>
Net Book Value:	
At 31 December 2009	<u>236,321</u>
At 31 December 2010	<u>1,320,338</u>

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

9. INTANGIBLE ASSETS (continued)

Exploration activities are deferred until a reasonable assessment can be made of the existence or otherwise of economically recoverable reserves. No amortisation has been charged in the period. The directors have reviewed the carrying value of the exploration assets and consider them to be fairly stated and not impaired at 31 December 2010. The recoverability of the intangible assets is dependent upon the future realisation or disposal of gold or other mineral resources.

10. PLANT AND EQUIPMENT

	Field machinery & equipment \$	Motor vehicles \$	Computer and accessories \$	Furniture and equipment \$	Total \$
COST					
Balance at 01/01/2010	693	-	-	-	693
Additions	<u>107,723</u>	=	=	<u>4,957</u>	<u>112,680</u>
Balance at 31/12/2010	<u>108,416</u>	=	=	<u>4,957</u>	<u>113,373</u>
DEPRECIATION					
Balance at 01/01/2010	-	-	-	-	-
Charge for the year	3,069	-	-	-	3,069
Balance at 31/12/2010	<u>3,069</u>	=	=	=	<u>3,069</u>
Book value at 31/12/2010	<u>105,347</u>	=	=	<u>4,957</u>	<u>110,304</u>

11. TRADE AND OTHER RECEIVABLES

	2010 \$	2009 \$
Prepayments	265,119	-
Proceeds from subscription receipts held in trust	<u>2,041,662</u>	=
Total	<u>2,306,782</u>	=

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

12. TRADE AND OTHER PAYABLES

	2010	2009
	\$	\$
Accrued expenses	-	-
Trade Payables	<u>78,623</u>	<u>44,798</u>
Total	<u>78,623</u>	<u>44,798</u>

13. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Company's financial instruments, which are recognised in the balance sheet, comprise financial assets at fair value recognised through profit and loss, cash and cash equivalents, receivables and payables. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes below, where applicable.

The Company does not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and it is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

13. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category

Assets per balance sheet	2010	2009
	\$	\$
Cash and cash equivalents	1,356,667	7,233
Total	<u>1,356,667</u>	<u>7,233</u>
Liabilities per balance sheet	2010	2009
Group	\$	\$
Creditors	78,623	44,798
Loans from Directors	<u>441,280</u>	<u>203,222</u>
Total	<u>519,903</u>	<u>248,020</u>

The directors consider the carrying value of the financial assets and liabilities to approximate their fair values.

Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest-rate risk. These risks are limited by the Company's financial management policies and practices described below:

(a) *Foreign currency exchange risks*

The Company's does not hedge its foreign currencies. Amounts transferred to Eritrea to fund activities in country, and amounts payable in the local currency, the ERN can only be converted at the official rate of exchange of ERN15:\$1. The directors therefore believe that there would be no benefit gained from hedging these currency exposures contracts in the market. This situation is monitored on a regular basis.

(b) *Credit risk*

As the Company had no revenues during the period, there is no significant concentration of credit risk. The Company does not have written credit risk management policies or guidelines.

The Company's cash is held in reputable banks. The carrying amount of these financial assets represent the maximum credit exposure.

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

13. FINANCIAL INSTRUMENTS (continued)

(c) *Liquidity risks*

The Company currently has no operational revenue streams. Operational cash flow represents the ongoing exploration and administration costs. The Company manages its liquidity requirements by the use of long and short term cash flow forecasts. The Company's policy is to ensure facilities are available as required and to issue share capital in accordance with long and short term cash flow forecasts. The Company currently has no undrawn facilities. The Company actively manages its working finance to ensure the group has sufficient funds for operations and planned expansion.

The Company's financial liabilities are primarily accruals. All amounts are due for payment in accordance with agreed settlement terms with suppliers or stating deadlines within one year.

(d) *Cash flow and fair value interest rate risks*

The Company has no interest-bearing liabilities. Interest rates on bank deposits are based on the relevant national inter bank offered rates. The Company has no fixed interest rate assets.

The main financial risks for the Company are set out on page 7 in the Directors' Report.

At 31 December 2010, the currency and interest rate profile of the financial assets and liabilities of the Company was as follows:

	2010	2009
	\$	\$
Financial assets:		
GBP – cash and cash equivalents	91,407	803
USD – cash and cash equivalents	1,254,174	6,430
ERN – cash and cash equivalents	11,087	-

A decrease of 1% on the interest rates offered by banks will not have any significant impact the interest receivable (2010:\$Nil).

(e) *Capital risk management*

The Company defines capital as its total equity. The Company manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to Shareholders through the optimisation of debt and equity balances. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the amount of dividends to shareholders, issue new shares or return capital to shareholders, and raise debt or sell assets to reduce debt.

ANDIAMO EXPLORATION LIMITED

Notes forming part of the non-statutory financial statements

Year ended 31 December 2010

14. SHARE CAPITAL

a) Share Capital

The Company has one class of ordinary shares which carry no right to fixed income nor have any preferences or restrictions attached.

Issued and fully paid:

	2010 Number	2009 Number
Ordinary shares of £1 each	-	1
Ordinary shares of £0.001 each	19,530,000	-

b) Share issues during the year

	Note	Number of shares	Share Capital \$	Share premium \$	Total \$
At 1 January 2010		1	1	-	1
On 19 February 2010	(i)	7,000	10,500	-	10,500
Share Conversion	(i)	7,001,000	-	-	-
On 17 September 2010	(ii)	3,000,000	4,500	-	4,500
On 08 December 2010	(iii)	9,529,000	14,294	4,594,348	4,608,642
At 31 December 2010		<u>19,530,000</u>	<u>29,295</u>	<u>4,594,348</u>	<u>4,623,643</u>

(i) On 19 February 2010, the Company made an Offer for Subscription and raised \$10,500 before expenses by issuing 7000 ordinary shares of £1 at £1 per share. On the same day, the entire £1 ordinary share capital was subdivided into £0.001 ordinary shares by ordinary resolution.

(ii) On 17 September 2010, the Company made an Offer for Subscription and raised \$10,500 by issuing 7,000,000 ordinary shares of £0.001 to directors at £0.001 per share.

(iii) On 08 December 2010, the Company made an Offer for Subscription and raised \$4,608,642 before expenses by issuing 9,529,000 ordinary shares of 0.1p at \$0.50 per share.

15. TRANSACTIONS WITH RELATED PARTIES

The Company was loaned \$441,280 by the directors in the year ended 31 December 2010. In normal course of its business, the branch received services worth US\$ 8,620 from a company which has common shareholder with Andiamo Exploration Limited