

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
FOR
ANDIAMO EXPLORATION LIMITED**

Numeric Accounting Limited
Chartered Certified Accountants
Suite 1, The Portway Centre
Old Sarum Park, Old Sarum
Salisbury
Wiltshire
SP4 6EB

ANDIAMO EXPLORATION LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

	Page
Company Information	1
Chairman's Report	2
Strategic Report	4
Report of the Directors	7
Statement of Profit or Loss	9
Statement of Profit or Loss and Other Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Statement of Cash Flows	14
Notes to the Financial Statements	15
Income Statement Summaries	25

ANDIAMO EXPLORATION LIMITED

**COMPANY INFORMATION
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

DIRECTORS:	Dr M A Heyhoe Mr D Fox-Davies Mr A J Turk Dr S Berhe Mr D K Paxton Mr C R D W de Bruin
SECRETARY:	Cripps Secretaries Limited
REGISTERED OFFICE:	Suite 1 The Portway Centre Old Sarum Park, Old Sarum Salisbury Wiltshire SP4 6EB
REGISTERED NUMBER:	06515287 (England and Wales)
ACCOUNTANTS:	Numeric Accounting Limited Chartered Certified Accountants Suite 1 The Portway Centre Old Sarum Park, Old Sarum Salisbury Wiltshire SP4 6EB

ANDIAMO EXPLORATION LIMITED

CHAIRMAN'S REPORT FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

Dear shareholder,

I am delighted to present to you my first Chairman's Report for the annual accounts of Andiamo Exploration Limited. Assuming the role of Chairman has been a profound honor, and as we reflect on the financial year that has passed I am filled with immense excitement about the opportunities that lie before us.

Highlights:

During Period

- Raised £2.43 million (US\$2.9 million) via convertible loan notes.
- Started drilling at Yacob Dewar

Post Period

- Completed drilling 2,043 meters at Yacob Dewar
- Appointment of Dr Mark Heyhoe as CEO
- Appointment of Mr Daniel Fox-Davies as Chairman
- Commenced field work at Shambotai and Mew

The Company's primary strategic focus remains on the exploration of the Arabian-Nubian Shield, with a particular emphasis on our existing Haykota license in Eritrea.

To achieve this objective, the company successfully raised £2.43 million (US\$2.9 million) during the fiscal period in the form of a convertible loan note. These funds significantly strengthened our financial position, enabling us to meet outstanding obligations, refurbish or replace crucial equipment and infrastructure, and re-engage in our exploration activities in Eritrea.

Subsequent to the fiscal period, at the end of June, these notes were converted at a rate of £0.03 per share, resulting in a total issued share capital of 240,830,568 shares, accompanied by 10.85 million options and 87,078,383 warrants. This equates to a fully diluted share capital of 338,758,951.

With the funds raised, the company engaged the services of the Minxcon Group to develop a drilling program at Yacob Dewar. The objective was to confirm the orebody at depth and explore potential extensions to the south of the current known orebody. The Company also retained Colonnade Drilling, an Eritrean drilling contractor, to conduct the drilling operations. Samples obtained during drilling were sent for assay to Intertek Genalysis Laboratories in Perth, Australia. In total, ten diamond holes were drilled between November 2022 and January 2023, spanning a total length of 2,043 meters and reaching depths ranging from 140 to 360 meters.

While the drilling campaign did intersect some potentially economically viable massive sulphides, these occurrences were not consistent. The geological interpretation suggests that these intersections represented smaller venting events, channels, or remobilized sulphides, with the main mineralization likely situated at a greater depth or having been eroded. Additionally, several economically significant concentrations of oxide copper were encountered, similar to those found in earlier drilling campaigns. These intersections are interpreted as remobilized copper and define a shallow deposit extending across most of the length of Yacob Dewar. Minxcon, acting on our behalf, conducted geological modeling and established an exploration target for the gold resource, estimating an additional 4.1 to 8.2Koz, for a total of 91.6Koz-99.8Koz at an average grade of 2.83g/t from the surface.

While we had previously considered the development of the oxide resource at Yacob Dewar, the board determined that this would divert our attention from our primary focus of finding a tier 1 asset. Given the wealth of opportunities available, we decided to re-focus our efforts on creating value through discovery. Any sub-scale assets are now being considered for monetization through a third-party arrangement, such as a farm-out or an outright sale. In line with this strategic shift, our former non-executive director, Dr. Mark Heyhoe, a geologist, was appointed as Chief Executive Officer in June 2023, succeeding Mr. Theo Botoulas. I also joined the board as Chairman, with Dave Paxton remaining on the board as a non-executive director.

Since then, initial field reconnaissance has identified extensive occurrences of artisanal and quartz vein-hosted gold, both within the Shambotai area and farther to the south at Mew, where we also encountered significant oxidized copper deposits. Currently, we are conducting comprehensive mapping, structural interpretation, and sampling activities around Shambotai, which will be replicated at Mew to assist in defining potential drilling targets.

Our focus is also expanding beyond Yacob Dewar as we consider the multitude of VMS and Orogenic targets both within our license area and throughout the broader Arabian-Nubian Shield. Beyond Haykota, we have applied for other licenses in Eritrea and are actively exploring new opportunities within the broader Arabian-Nubian Shield.

ANDIAMO EXPLORATION LIMITED

**CHAIRMAN'S REPORT (continued)
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

On behalf of the Board, I extend our heartfelt appreciation to our officers and employees for their unwavering dedication, hard work, and numerous contributions to the achievements of the past year. They have consistently gone above and beyond the call of duty. We also express our deep gratitude to our shareholders for their continued support. Together, we look forward to a future filled with exploration, discovery, and success.

A handwritten signature in black ink, appearing to read 'D Fox-Davies', written over a dotted line.

Mr D Fox-Davies - Chairman

ANDIAMO EXPLORATION LIMITED

STRATEGIC REPORT FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

BUSINESS REVIEW

A review of the business is provided in the Chairman's statement.

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 technical challenges that are subject to unexpected operational problems. Furthermore, activities generally take place in remote locations that can be subject to regulatory and social uncertainties, unexpected climate events, and possible acts of terrorism, criminal threats and potential environmental risks.

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.

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 and by other means, such as Convertible Loan Notes. The directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

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.

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 instruments. 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 per US\$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

STRATEGIC REPORT FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

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.

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 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

Andiamo 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

Andiamo 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 safety management system has been implemented for its exploration operations.

Environment

Andiamo 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, ensuring local communities gain employment during the exploration campaigns in the Company's licence area.

Andiamo Exploration is constantly looking for practical ways to increase the local content of its projects. In addition, the Company aims constantly to train and improve the skills of its employees to ensure a sustainable future work force for the Yacob Dewar gold and copper project while creating a newly skilled generation of Eritreans to fuel the country's growing economy.

ANDIAMO EXPLORATION LIMITED

**STRATEGIC REPORT (continued)
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

Corporate Governance Code

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 two full-time executive directors and five part-time non-executive directors who qualify 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 as often as is necessary and practicable. 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.

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.

KEY PERFORMANCE INDICATORS

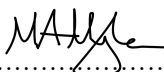
The key indicator of performance for the Company is its success in identifying, acquiring, developing and divesting investments in projects so as to create shareholder value.

Control of bank and cash balances is a priority for the Company and these are budgeted and monitored with the intention to maintain 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 year is set out in the Chairman's Statement.

Signed on behalf of the Board of Directors.



.....
Dr M A Heyhoe - Director

Date 27/09/2023.....

ANDIAMO EXPLORATION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

The directors present their report with the financial statements of the company for the year 1 January 2022 to 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of gold and other metallic mining concessions in the state of Eritrea.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the year from 1 January 2022 to the date of this report.

Dr M A Heyhoe (appointed 20 June 2023)
Mr T Botoulas (resigned 20 June 2023)
Mr D Fox-Davies (appointed 20 June 2023)
Dr S Berhe
Mr C R D W de Bruin
Mr A J Turk
Mr D K Paxton

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the 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 and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO ACCOUNTANTS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's accountants are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's accountants are aware of that information.

ANDIAMO EXPLORATION LIMITED

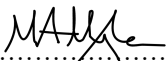
**REPORT OF THE DIRECTORS (continued)
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

ACCOUNTANTS

The accountants, Numeric Accounting Limited, will be proposed for re-appointment.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



.....
Dr M A Heyhoe - Director

Date: 27/09/2023.....

ANDIAMO EXPLORATION LIMITED

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

	Notes	Year Ended 31.12.22 \$	Year Ended 31.12.21 \$
CONTINUING OPERATIONS			
Revenue		-	-
Administrative expenses		<u>(1,072,478)</u>	<u>(333,529)</u>
OPERATING LOSS		<u>(1,072,478)</u>	<u>(333,529)</u>
LOSS BEFORE INCOME TAX	5	<u>(1,072,478)</u>	<u>(333,529)</u>
Income tax	6	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		<u><u>(1,072,478)</u></u>	<u><u>(333,529)</u></u>
Earnings per share expressed in pence per share:			
Basic	7	<u>-0.74</u>	-0.26
Diluted		<u><u>-0.74</u></u>	<u><u>-0.26</u></u>

The notes form part of these financial statements

ANDIAMO EXPLORATION LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

	Year Ended 31.12.22 \$	Year Ended 31.12.21 \$
LOSS FOR THE YEAR	(1,072,478)	(333,529)
OTHER COMPREHENSIVE INCOME	<u>(14,260)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(1,086,738)</u>	<u>(333,529)</u>

The notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

	Notes	31.12.22 \$	31.12.21 \$
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	12,985,740	12,628,271
Property, plant and equipment	9	<u>2,525</u>	<u>699</u>
		12,988,265	12,628,970
CURRENT ASSETS			
Inventories	10	265,978	252,083
Trade and other receivables	11	25,274	26,759
Cash and cash equivalents	12	<u>1,878,763</u>	<u>119,827</u>
		2,170,015	398,669
TOTAL ASSETS		<u>15,158,280</u>	<u>13,027,639</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	206,220	188,976
Share premium	14	14,561,770	14,401,027
Warranty surplus	14	201,357	-
Retained earnings	14	<u>(3,026,892)</u>	<u>(1,940,152)</u>
TOTAL EQUITY		<u>11,942,455</u>	<u>12,649,851</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	173,629	377,788
Loan notes	15	<u>3,042,196</u>	<u>-</u>
TOTAL LIABILITIES		<u>3,215,825</u>	<u>377,788</u>
TOTAL EQUITY AND LIABILITIES		<u>15,158,280</u>	<u>13,027,639</u>

For the year ended 31 December 2022 the company was entitled to exemption from audit under section 477 of the companies act 2006 relating to small companies.

Directors' Responsibilities:

1. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476,
2. The directors acknowledge their responsibilities for complying with the requirements of the companies act 2006 with respect to accounting records and the preparation of accounts,

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime of Part 15 of the Companies Act 2006.

The financial statements were approved by the Board of Directors on and were signed on its behalf by:



.....
Dr M Heyhoe - Director

ANDIAMO EXPLORATION LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

	Called up Share Capital \$	Retained earnings \$	Other reserves \$	Total equity \$
Balance at 1 April 2021	174,249	(1,606,624)	13,263,741	12,831,366
Changes in equity				
Issue of share capital	14,727	-	137,286	152,013
Total comprehensive loss	<u>-</u>	<u>(333,528)</u>	<u>-</u>	<u>(333,528)</u>
Balance at 31 December 2021	<u>188,976</u>	<u>(1,940,152)</u>	<u>14,401,027</u>	<u>12,649,851</u>
Changes in equity				
Issue of share capital	17,244	-	160,743	177,987
Warranty surplus	-	-	201,357	201,357
Total comprehensive loss	<u>-</u>	<u>(1,086,740)</u>	<u>-</u>	<u>(1,086,740)</u>
Balance at 31 December 2022	<u><u>206,220</u></u>	<u><u>(3,026,892)</u></u>	<u><u>14,763,127</u></u>	<u><u>11,942,455</u></u>

The notes form part of these financial statements

ANDIAMO EXPLORATION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

		Year Ended 31.12.22 \$	Year Ended 31.12.21 \$
Cash flows from operating activities			
Cash generated from operations	1	<u>(1,289,047)</u>	<u>(180,007)</u>
Net cash from operating activities		<u>(1,289,047)</u>	<u>(180,007)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(357,469)	(90,691)
Purchase of tangible fixed assets		<u>(1,827)</u>	<u>2,334</u>
Net cash from investing activities		<u>(359,296)</u>	<u>(88,356)</u>
Cash flows from financing activities			
Share issue		177,986	152,013
Warranty surplus		201,357	-
Fair value movement		(14,260)	-
Loan notes		<u>3,042,196</u>	<u>152,013</u>
Net cash from financing activities		<u>3,407,279</u>	<u>152,013</u>
Increase/(decrease) in cash and cash equivalents		1,758,936	(116,350)
Cash and cash equivalents at beginning of year	2	<u>119,827</u>	<u>236,177</u>
Cash and cash equivalents at end of Year	2	<u><u>1,878,763</u></u>	<u><u>119,827</u></u>

The notes form part of these financial statements

ANDIAMO EXPLORATION LIMITED

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	Year Ended 31.12.22 \$	Year Ended 31.12.21 \$
Loss before income tax	(1,072,478)	(333,529)
Depreciation charges	<u>-</u>	<u>-</u>
	(1,072,478)	(333,529)
Decrease/(increase) in inventories	(13,895)	22
Decrease/(increase) in trade and other receivables	1,485	(3,552)
(Decrease)/increase in trade and other payables	<u>(204,159)</u>	<u>157,052</u>
Cash generated from operations	<u>(1,289,047)</u>	<u>(180,007)</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2022

	31.12.22 \$	01.01.22 \$
Cash and cash equivalents	1,878,763	119,827
Bank overdrafts	<u>-</u>	<u>-</u>
	<u>1,878,763</u>	<u>119,827</u>

Year ended 31 December 2021

	31.12.21 \$	01.01.21 \$
Cash and cash equivalents	<u>119,827</u>	<u>236,177</u>

The notes form part of these financial statements

ANDIAMO EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

1. NATURE OF OPERATIONS

These financial statements are for Andiamo Exploration Limited ("the Company"). The Company's financial statements are presented in US Dollars (\$) which is also the functional currency of the Company. The nature of the Company's operations and its principal activities are set out in the Directors Report. 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 interest 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 risks 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 financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realise 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. 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.

2. STATUTORY INFORMATION

Andiamo Exploration Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

3. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Company has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of the standards or interpretations which have been issued by the International Accounting Standards Board, but have not been adopted, will have a material impact on the financial statements.

The 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 recognised in assets are eliminated in full.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

3. ACCOUNTING POLICIES - continued

Going Concern

The Directors recognise that the current Covid-19 pandemic means that there is material uncertainty over future revenues and ability to trade. The directors acknowledge the uncertainty arising from the potential effects on their business of current public health restrictions both domestic and abroad, and how things may evolve during the pandemic. The directors believe that the company is well positioned to deal with the short-term consequences of the pandemic over the next 12 months from the date that the financial statements are authorised for issue, and therefore they have been prepared on the Going Concern basis.

The directors have prepared cash flow projections for the 12 months from the date of signing the financial statements and beyond. Based on those projections, the directors consider that the Company will be able to meet its essential financial obligations as they fall due during the year of the projections from the funds now available but will require additional financial resources to enable it to undertake exploration activities in the year.

The directors will enter discussions with shareholders and other parties and expect to raise new funds through the issue of share capital in order to finance the exploration activities. The company continues to enjoy the support of its largest shareholder Emerald Ex B.V. and its parents Nurture Ex B.V. and AMED II Fund.

The directors have a reasonable expectation that a fundraising will be successfully completed so that the Company will have adequate additional resources to fund the exploration activities in due course. Based on the above and having considered any mitigating actions that the Company is able to take to manage the future cash flows of the Company in the event of a lower than anticipated fundraising, the directors continue to adopt the going concern basis in preparing these financial statements. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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 costs 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 the deferred exploration and development costs, exploration data and prospecting rights and mining licences in the statement of financial position accordingly 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".

Under the Company's accounting policy net cash proceeds from any disposal or farm-out of an intangible asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the income statement.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

3. ACCOUNTING POLICIES - continued

Licences

Payments to acquire licence rights acquired will be amortised over the year 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 is assessed annually and any impairment is charged to the statement of comprehensive income. The expected useful economic life of tangible fixed assets will be reviewed annually.

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 the statement of comprehensive income.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Field machinery and equipment	- at varying rates on cost
Furniture and equipment	- at varying rates on cost
Motor vehicles	- 20% on cost
Computer and accessories	- 33% on cost

Fixed assets used directly in exploration activities contribute towards the realisation of mineral deposits and add value to the licence interest. Depreciation costs relating to these assets are not therefore written off to the Profit or Loss account, but instead capitalised as deferred exploration costs under intangible fixed assets. This also ensures that all contributing expenditure towards the minimum agreed licence spend requirement is recognised.

Inventories

Inventories comprise fuel, consumables and spares and are stated at the lower of cost of net realisable value. The cost of inventories is calculated on a first in first out basis. Net realisable value is determined with reference to current market prices.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount can be reliably measured and when it is probable that future economic benefits will flow to the Company.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

3. ACCOUNTING POLICIES - continued

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements 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.

Deferred tax is calculated at the rates that are expected to apply in the year when the liability is settled, or the asset is released. Deferred tax is charged or credited to the statement of comprehensive income. Deferred tax assets or liabilities are offset when the Company has a legally enforceable right to offset them and when they relate to taxes levied by the same tax authority.

Foreign currencies

The financial information of the Company is presented in the currency of the primary economic environment in which it 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 the presentational purposes at the fixed official rate of exchange of 15 ERN / 1 USD.

In preparing the 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 transaction. 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 year.

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 year. Exchange differences arising, if any, will be held in equity and where material will be transferred to the translation reserve.

Critical accounting estimates and judgements

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.

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 pound and the Eritrean Nakfa, 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 fundraising, the outcome of which is uncertain.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

3. ACCOUNTING POLICIES - continued

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

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. When a financial asset or financial liability is recognised initially, the entity shall measure it at the transaction price unless the arrangement constitutes, in effect, a financing transaction. An arrangement constitutes a financing transaction if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

At the end of each reporting period, an entity shall measure all financial instruments which constitute a financing arrangement at fair value and recognise changes in fair value in profit or loss.

At the end of each reporting period, the entity shall assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, the entity shall recognise an impairment loss in profit or loss immediately.

An entity shall derecognise a financial asset only when the contractual rights to the cash flows from the financial asset expire or are settled; or the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or the entity, despite having retained some, but not substantially all, risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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.

There has been no impairment charge for the year ended 31 December 2022 (2021 \$Nil).

Events after the Balance Sheet Date

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

ANDIAMO EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

4. EMPLOYEES AND DIRECTORS

	31.12.22	31.12.21
	\$	\$
Wages and salaries	50,782	38,551
Social security costs	<u>-</u>	<u>-</u>
	<u>50,782</u>	<u>38,551</u>

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

	31.12.22	31.12.21
Directors	6	6
Employees	<u>11</u>	<u>7</u>
	<u>17</u>	<u>13</u>

	31.12.22	31.12.21
	\$	\$
Directors' remuneration	<u>348,293</u>	<u>180,000</u>

5. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

	Year Ended	Year Ended
	31.12.22	31.12.21
	\$	\$
Depreciation - owned assets	53	-
Foreign exchange differences	<u>69,885</u>	<u>607</u>

6. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2022 nor for the year ended 31 December 2021.

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended	Year Ended
	31.12.22	31.12.21
	\$	\$
Loss before income tax	<u>(1,072,478)</u>	<u>(333,529)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (31 Dec 2021 - 19%)	(203,771)	(63,371)
Effects of: Deferred tax not provided	<u>203,771</u>	<u>63,371</u>
Tax expense	<u>-</u>	<u>-</u>

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 against which the deductible temporary difference can be utilised.

ANDIAMO EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

7. EARNINGS 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 year.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

	Earnings \$	31.12.22 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(1,072,478)	145,440,948	(0.74)
Effect of dilutive securities	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Diluted EPS			
Adjusted earnings	(1,072,478)	145,440,948	(0.74)
		31.12.21 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(333,529)	128,598,637	(0.26)
Effect of dilutive securities	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Diluted EPS			
Adjusted earnings	<u>(333,529)</u>	<u>128,598,637</u>	<u>(0.26)</u>

ANDIAMO EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

8. INTANGIBLE ASSETS

	Deferred exploration costs \$
COST	
At 1 January 2022	12,628,271
Additions	<u>357,469</u>
At 31 December 2022	<u>12,985,740</u>
NET BOOK VALUE	
At 31 December 2022	<u>12,985,740</u>
At 31 December 2021	<u>12,628,271</u>

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 year.

The directors have reviewed the carrying value of the exploration assets and consider them to be fairly stated and not impaired as at the balance sheet date. The recoverability of intangible assets is dependent upon the future realisation or disposal of gold, base metals or other mineral resources.

9. PROPERTY, PLANT AND EQUIPMENT

	Field Machinery And Equipment \$	Furniture and Equipment \$	Motor Vehicles \$	Computer and Accessories \$	Totals \$
COST					
At 1 January 2022	368,178	45,982	91,586	41,955	547,701
Additions/(Disposals)	<u>87</u>	<u>-</u>	<u>-</u>	<u>996</u>	<u>1,082</u>
At 31 December 2022	<u>368,265</u>	<u>45,982</u>	<u>91,586</u>	<u>42,950</u>	<u>548,783</u>
DEPRECIATION					
At 1 January 2022	368,150	45,312	91,586	40,653	545,701
Charge for year	5	477	-	75	557
Additions/(Disposals)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2022	<u>368,155</u>	<u>45,789</u>	<u>91,586</u>	<u>40,728</u>	<u>546,258</u>
NET BOOK VALUE					
At 31 December 2022	<u>110</u>	<u>193</u>	<u>-</u>	<u>2,222</u>	<u>2,525</u>
At 31 December 2021	<u>28</u>	<u>670</u>	<u>-</u>	<u>1,302</u>	<u>2,000</u>

ANDIAMO EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

10. INVENTORIES

	31.12.22	31.12.21
	\$	\$
Inventories	<u>265,978</u>	<u>252,083</u>

11. TRADE AND OTHER RECEIVABLES

	31.12.22	31.12.21
	\$	\$
Current		
Other debtors	17,904	8,372
VAT	1,731	12,768
Prepayments and accrued income	<u>5,639</u>	<u>5,619</u>
	<u>25,274</u>	<u>26,759</u>

12. CASH AND CASH EQUIVALENTS

	31.12.22	31.12.21
	\$	\$
Asmara cash account	7,311	(30)
Bank accounts	<u>1,871,452</u>	<u>119,857</u>
	<u>1,878,763</u>	<u>119,827</u>

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			
Number:	Class:	Nominal value:	
146,485,467	Ordinary	£0.001	
			31.12.22
			\$
			<u>206,220</u>
			31.12.21
			\$
			<u>188,976</u>

12,534,225 shares were allotted, issued and fully paid in the year, at a price of \$0.0142 per share.

ANDIAMO EXPLORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022

14. RESERVES

	Retained Earnings \$	Other Reserves \$	Totals \$
At 1 January 2022	(1,940,153)	14,401,026	12,460,873
Deficit for the year	(1,086,738)		(1,086,738)
Share Premium		160,743	160,743
Warranty surplus		201,357	201,357
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2022	<u>(3,026,892)</u>	<u>14,763,127</u>	<u>11,736,235</u>

15. TRADE AND OTHER PAYABLES

	31.12.22 \$	31.12.21 \$
Current:		
Trade creditors	103,546	71,095
Other creditors	67,883	302,293
Loan notes payable	3,042,196	302,293
Accruals and deferred income	2,200	4,400
	<u>3,215,825</u>	<u>377,788</u>

16. EVENTS AFTER THE REPORTING YEAR

There are no events after the year end that require disclosure in the financial statements in order that the accounts show a true and fair view.

17. ULTIMATE CONTROLLING PARTY

The directors consider that the Company is not controlled by any one party.

ANDIAMO EXPLORATION LIMITED

**INCOME STATEMENT SUMMARIES
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022**

	Year Ended 31.12.22 \$	Year Ended 31.12.21 \$
ADMINISTRATIVE EXPENSES		
Establishment costs		
Purchases	-	830
Rent	4,182	-
Administrative expenses		
Directors' remuneration	299,493	180,000
Compensation	43,944	-
Clothing Costs	29	-
Repair & Maintenance	913	-
Motor Expenses	157	-
Telephone	-	308
Printing, post and stationery	587	3,980
Travelling and subsistence	28,485	2,078
Computer sundries	60	645
Subscriptions	-	495
Sundry expenses	13,140	87
Accountancy	8,683	9,150
Legal and professional fees	62,217	90,396
Consultancy Fees	-	15,000
Brokerage Fees	401,670	-
Foreign exchange (gains)/losses	69,885	607
Depreciation of tangible fixed assets	53	-
Business and Professional Development	-	28,039
Advertising	1,123	1,098
Finance costs		
Bank charges	2,481	816
Accrued interest	135,353	-
Credit Card Charges	23	-
	<hr/>	<hr/>
	1,072,478	333,529

This page does not form part of the statutory financial statements