

ANDIAMO EXPLORATION LIMITED

**Company Registration Number:
06515287 (England and Wales)**

Report of the Directors and Unaudited Financial Statements

Period of accounts

Start date: 01st January 2012

End date: 31st December 2012

SUBMITTED

ANDIAMO EXPLORATION LIMITED

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ANDIAMO EXPLORATION LIMITED

Company Information for the Period Ended 31st December 2012

Director:	Dr Charles Timothy Williams Dr Seife Berhe Mark Parker William Fisher
Company secretary:	Cripps Secretaries Ltd
Registered office:	Wax Chandlers Hall 6, Gresham Street London EC2V 7AD GBR
Company Registration Number:	06515287 (England and Wales)

ANDIAMO EXPLORATION LIMITED

Directors' Report Period Ended 31st December 2012

The directors present their report with the financial statements of the company for the period ended 31st December 2012

Principal activities

The principal activity of the company in the period under review was:
Exploration for Gold and Base Metals

Directors

The directors shown below have held office during the whole of the period from 01st January 2012 to 31st December 2012

Dr Charles Timothy Williams

Dr Seife Berhe

Mark Parker

William Fisher

Political and charitable donations

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. In addition, in order to improve sports participation in the Haykota area, the Company donated sports equipment, ranging from football shirts and footballs to volleyballs and volleyball nets.

Company policy on the employment of disabled persons

Andiamo takes the health and safety of its employees and contractors seriously, and strives to exceed statutory obligations and achieve best practice.

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 regulatory and social uncertainties, unexpected climate events, and possible acts of terrorism, criminal threats and potential environmental risks.

The above report has been prepared in accordance with the special provisions in part 15 of the Companies Act 2006

This report was approved by the board of directors on 08 March 2013

And Signed On Behalf Of The Board By:

Name: Dr Charles Timothy Williams

Status: Director

ANDIAMO EXPLORATION LIMITED

Profit and Loss Account

for the Period Ended 31st December 2012

	Notes	2012 £	2011 £
Turnover:		0	0
Cost of sales:		0	0
Gross profit or (loss):		<u>0</u>	<u>0</u>
Distribution costs:		0	0
Administrative expenses:		88,924	157,887
Other operating income:		0	0
Operating profit or (loss):		<u>(88,924)</u>	<u>(157,887)</u>
Interest receivable and similar income:		0	0
Interest payable and similar charges:		0	0
Tax on profit or loss on ordinary activities:		<u>(88,924)</u>	<u>(157,887)</u>
Tax on profit or (loss) on ordinary activities:		0	0
Profit or (loss) for the financial year:		<u><u>(88,924)</u></u>	<u><u>(157,887)</u></u>

The notes form part of these financial statements

ANDIAMO EXPLORATION LIMITED

**Statement of total recognised gains and losses
31st December 2012**

Statement of total recognised gains and losses

The company does not have any gains and losses other than Profit and Loss for the period to report.

The notes form part of these financial statements

ANDIAMO EXPLORATION LIMITED

Balance sheet As at 31st December 2012

	Notes	2012 £	2011 £
Fixed assets			
Intangible assets:	2	4,662,265	2,624,528
Tangible assets:	3	301,116	233,764
Total fixed assets:		<u>4,963,381</u>	<u>2,858,292</u>
Current assets			
Stocks:		146,407	101,237
Debtors:		51,126	269,312
Cash at bank and in hand:		69,941	2,181,245
Total current assets:		<u>267,474</u>	<u>2,551,794</u>
Creditors: amounts falling due within one year		22,169	112,475
Net current assets (liabilities):		<u>245,305</u>	<u>2,439,319</u>
Total assets less current liabilities:		5,208,686	5,297,611
Creditors: amounts falling due after more than one year:		0	0
Provision for liabilities:		0	0
Total net assets (liabilities):		<u>5,208,686</u>	<u>5,297,611</u>

The notes form part of these financial statements

ANDIAMO EXPLORATION LIMITED

Balance sheet As at 31st December 2012 continued

	Notes	2012 £	2011 £
Capital and reserves			
Called up share capital:	4	5,486,408	5,486,408
Revaluation reserve:		0	0
Profit and Loss account:		(277,722)	(188,797)
Total shareholders funds:		<u>5,208,686</u>	<u>5,297,611</u>

For the year ending 31 December 2012 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act 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.

The financial statements were approved by the Board of Directors on 08 March 2013

SIGNED ON BEHALF OF THE BOARD BY:

Name: Dr Charles Timothy Williams
Status: Director

The notes form part of these financial statements

ANDIAMO EXPLORATION LIMITED

Notes to the Financial Statements for the Period Ended 31st December 2012

1. Accounting policies

Basis of measurement and preparation of accounts

The 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. The financial statements have been prepared on the historic cost basis. 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 recognized in assets are eliminated in full.

Turnover policy

The Company did not generate revenue during either the year ended 31 December 2012 or the period ended 31 December 2011.

Tangible fixed assets depreciation policy

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

Intangible fixed assets amortisation policy

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 2012. The recoverability of the intangible assets is dependent upon the future realisation or disposal of gold or other mineral resources.

Valuation information and policy

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 £ 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 geopolitical environment which is uncertain based on the history of the country.

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Notes to the Financial Statements for the Period Ended 31st December 2012

2. Intangible assets

	Goodwill	Other	Total
Cost	£	£	£
At 01st January 2012:	-	2,624,528	2,624,528
Additions:	-	2,037,737	2,037,737
Disposals:	-	0	0
At 31st December 2012:	<u>-</u>	<u>4,662,265</u>	<u>4,662,265</u>
Amortisation	£	£	£
At 01st January 2012:	-	0	0
At 31st December 2012:	<u>-</u>	<u>0</u>	<u>0</u>
Net book value	£	£	£
At 31st December 2012:	<u>-</u>	<u>4,662,265</u>	<u>4,662,265</u>
At 31st December 2011:	<u>-</u>	<u>2,624,528</u>	<u>2,624,528</u>

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Notes to the Financial Statements for the Period Ended 31st December 2012

3. Tangible assets

	Land and buildings	Plant Machinery	Fixtures and fittings	Office Equipment	Motor vehicles	Total
Cost	£	£	£	£	£	£
At 01st January 2012:	-	152,816	21,497	13,684	87,675	275,672
Additions:	-	93,895	6,233	10,288	39,292	149,708
Disposals:	-	-	0	-	0	0
Transfers:	-	(17,200)	-	-	-	(17,200)
At 31st December 2012:	<u>-</u>	<u>229,511</u>	<u>27,730</u>	<u>23,972</u>	<u>126,967</u>	<u>408,180</u>
Depreciation						
At 01st January 2012:	-	20,975	2,520	3,801	14,612	41,908
Charge for year:	-	32,630	3,448	7,614	21,464	65,156
At 31st December 2012:	<u>-</u>	<u>53,605</u>	<u>5,968</u>	<u>11,415</u>	<u>36,076</u>	<u>107,064</u>
Net book value						
At 31st December 2012:	<u>-</u>	<u>175,906</u>	<u>21,762</u>	<u>12,557</u>	<u>90,891</u>	<u>301,116</u>
At 31st December 2011:	<u>-</u>	<u>131,841</u>	<u>18,977</u>	<u>9,883</u>	<u>73,063</u>	<u>233,764</u>

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Notes to the Financial Statements for the Period Ended 31st December 2012

4. Called up share capital

Allotted, called up and paid

Previous period			2011
Class	Number of shares	Nominal value per share	Total
Ordinary shares:	5,486,408	1.00	5,486,408
Total share capital:			<u>5,486,408</u>
Current period			2012
Class	Number of shares	Nominal value per share	Total
Ordinary shares:	5,486,408	1.00	5,486,408
Total share capital:			<u>5,486,408</u>

The Company has one class of ordinary shares which carry no right to fixed income nor have any preferences or restrictions attached. The US Dollar is both the functional currency and presentation currency for the Company and the Company's financial information. Ordinary shares of £0.001 each: 24,175,765.

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Notes to the Financial Statements for the Period Ended 31st December 2012

5. Post balance sheet events

The Company closed the first tranche of a non-brokered private placement on 15 February 2013. The Company issued an aggregate of 2,411,040 ordinary shares at a purchase price of US\$ 0.50 per share raising gross proceeds to the Company of US\$ 1,205,510.
