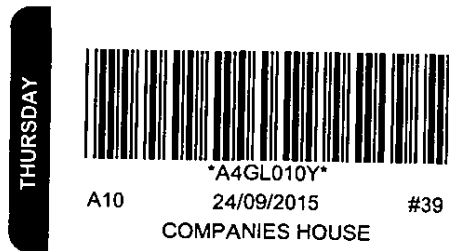


# AMENDING ACCOUNTS

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

## ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2014



**Andiamo!**  
• EXPLORATION LTD • 

**ANDIAMO EXPLORATION LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**Year ended 31 December 2014**

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**ANDIAMO EXPLORATION LIMITED**

**OFFICERS AND ADVISERS**

**Directors**

Dr CTP Williams  
Dr S Berhe  
WJ Fisher  
M Parker  
A Balme

**Registered Office**

Wax Chandlers Hall  
6, Gresham Street  
London  
EC2V 7AD  
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**

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

## ANDIAMO EXPLORATION LIMITED

### Chairman's Statement

It is with pleasure that I update shareholders on the progress achieved and activities undertaken by the Company during what has been a very busy 2014

- In January we signed a share subscription agreement with Ortac Resources Limited (AIM OTC), which not only put \$1.5M into Andiamo's treasury but also potentially brought key skills in resource geology, mining and mineral processing which we would otherwise have had to buy in
- Mr Anthony Balme was appointed as an Executive Director of Andiamo with effect from 16th June 2014. We are delighted to have attracted someone of Mr Balme's experience and calibre, whose strong track record will underpin our growth strategy with a continued focus on a capital-efficient development of a mine at Yacob Dewar
- Separately from the share issue to Ortac, in January we signed a farm-in agreement with Environminerals East Africa Ltd ("EEA"), under which EEA is financing the exploration of promising targets in the northern part of our Haykota licence, where funds, time and logistics had previously limited our operations
- Early fruits of this cooperation resulted in the geological mapping and rock chip sampling of VTEM geophysical anomalies during March and April 2014, as well as the collection of a batch of systematic samples from 12 new trenches at the Mt Hoba Volcanogenic Massive Sulphide ("VMS") target in June and July
- In June, a drilling programme at Yacob Dewar used special techniques to recover core from the friable material of the gold-bearing zones. These cores, and the material sampled by our 30 trench programme in September, greatly improved our understanding of the gold and copper deposits, and provided much improved data for resource estimation. As a result we were able to ship about 0.3 tonnes of mineralised samples to the UK which are now being subjected to metallurgical testing

All this progress is in sharp contrast to most of our peers, who have struggled to survive over the last 12 months, let alone conduct meaningful exploration. As shareholders ourselves, the directors recognise that the last year or two have been very challenging for Andiamo and for our sector.

The northern portion of the Haykota Exploration Licence is currently being explored as a potential Joint Venture with EEA. EEA may earn a 50% interest in discoveries in this area by spending a total of US\$2 million by the end of 2015. This northern part of the licence shows some clearly anomalous electromagnetic responses from an airborne geophysical programme conducted by Andiamo in 2010, coincident with apparently anomalous gravity results from a comprehensive ground gravity survey. Although there are several possible explanations for these coincident anomalies of rocks that are both dense and conducting, this is the signature of VMS deposits.

Surface mapping and trenching across the Hoba area have yielded very encouraging results. In particular, highly anomalous values of both zinc and lead have been observed, as well as gold and copper. This combination is seen as indicative of potential massive sulphide deposits and both Andiamo and EEA have been sufficiently encouraged by the results of this work to commit to a drilling campaign at two targets in the Hoba region in Q2 2015. The drilling campaign at Hoba is being financed entirely by EEA which is also making a contribution to the recurring and support functions of the company.

On behalf of the Board of Directors, I would like to thank our shareholders for their continued support, as well as our employees for their hard work, dedication and many contributions to this past year's accomplishments.

**Mark Parker**  
Chairman

# **ANDIAMO EXPLORATION LIMITED**

## **REPORT OF THE DIRECTORS**

**Year ended 31 December 2014**

### **DIRECTORS' REPORT**

The directors present their report with the financial statements of Andiamo Exploration Limited ("Andiamo" or "the Company") for the year ended 31 December 2014

### **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 State of Eritrea. Further information is provided within the Strategic Report on page 8

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

Andiamo's financial performance for the year was in line with directors' expectations. The loss after taxation for the year to 31 December 2014 amounted to \$119,496 (year ended 31 December 2013 \$174,525). 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 financial statements

### **GOING CONCERN**

These 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 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 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 12 months from the date of signing these 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. As set out in note 9 to the financial statements, on 29 January 2014 the Company signed a farm-in agreement with Environminerals East Africa Ltd ("EEA"), a private limited liability company, to invoice an aggregate of up to US\$ 2,000,000 by 31 December 2015 in order for EEA to earn an initial 50% interest in Andiamo's rights over the northern portion of the Haykota Licence Area. During the year ended 31 December 2014, Andiamo invoiced EEA \$301,000 in relation to the farm-out agreement.

# ANDIAMO EXPLORATION LIMITED

## REPORT OF THE DIRECTORS

Year ended 31 December 2014 (continued)

### DIRECTORS

The directors who have held office during the period and their interests in the Company's issued share capital are as follows

#### Number of shares

	At 31.12.2014	At 31.12.2013
Dr CTP Williams	5,025,175	4,925,175
Dr S Berhe	4,590,790	4,490,790
WJ Fisher	1,725,000	1,650,000
M Parker	305,000	180,000
A Balme	-	-

Details of the remuneration paid to the directors are disclosed in note 5 to the financial statements

### 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

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 (IFRSs) as adopted by the European Union ("EU") and applicable law

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 period. In preparing these 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 financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

**ANDIAMO EXPLORATION LIMITED**

**REPORT OF THE DIRECTORS**

**Year ended 31 December 2014 (continued)**

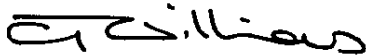
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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.

The directors are responsible for the maintenance and integrity of the Company's web-site [www.andiamoexploration.com](http://www.andiamoexploration.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**AUDITORS**

The auditors, Crowe Clark Whitehill LLP have expressed their willingness to be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006.

**Signed on behalf of the Board of Directors**



Dr CTP Williams  
**Director**

**Date: 26<sup>th</sup> May 2015**

# ANDIAMO EXPLORATION LIMITED

## STRATEGIC REPORT

Year ended 31 December 2014

### BUSINESS REVIEW

A review of the business is provided in the Chairman's statement on page 4 of these financial statements

### 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 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

#### 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



# ANDIAMO EXPLORATION LIMITED

## STRATEGIC REPORT

Year ended 31 December 2014

### FINANCIAL RISK MANAGEMENT (CONTINUED)

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 Ertrea 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.

### 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 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.

# **ANDIAMO EXPLORATION LIMITED**

## **STRATEGIC REPORT**

**Year ended 31 December 2014**

### **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 new 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 to constantly train and improve the skills of its employees to ensure a sustainable future work force for the Jacob Dewar gold and copper project while creating a newly skilled generation of Eritreans to fuel the country's growing economy

#### **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

# ANDIAMO EXPLORATION LIMITED

## STRATEGIC REPORT

Year ended 31 December 2014

### CORPORATE GOVERNANCE (continued)

The Board of directors comprises two full-time executive directors and two 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 at least six 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.

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 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.

**Signed on behalf of the Board of Directors**



Dr CTP Williams  
Director

Date: 26<sup>th</sup> May 2015

# **ANDIAMO EXPLORATION LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **Independent Auditor's Report to the Members of Andiamo Exploration Limited**

We have audited the financial statements of Andiamo Exploration Limited for the year ended 31 December 2014 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Cash Flow Statement, the Statements of Changes in Equity and the related notes numbered 1 to 17

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 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 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 financial statements sufficient to give reasonable assurance that the 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 financial statements

In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Chairman's Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of the Company's loss for the year then ended,

## ANDIAMO EXPLORATION LIMITED

### INDEPENDENT AUDITOR'S REPORT (continued)

- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- 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 financial statements do not include the adjustments that would result if the Company were not to continue as a going concern.

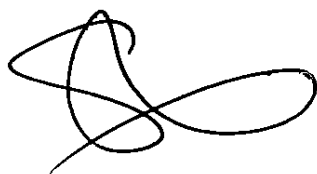
#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report, Directors' Report and the Chairman's Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Stephen Bullock  
Senior Statutory Auditor

For and on behalf of  
**Crowe Clark Whitehill LLP**  
Statutory Auditor

26<sup>th</sup> May 2015

St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

**ANDIAMO EXPLORATION LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**

**Year ended 31 December 2014**

		Year ended 31 December 2014	Year ended 31 December 2013
	Note	\$	\$
Revenue		-	-
Administrative expenses	4	(119,496)	(174,525)
<b>Loss on ordinary activities before taxation</b>		<b>(119,496)</b>	<b>(174,525)</b>
Taxation	7	-	-
<b>Loss for the period</b>		<b><u>(119,496)</u></b>	<b><u>(174,525)</u></b>
Other comprehensive income		=	=
<b>Total comprehensive loss for the period</b>		<b><u>(119,496)</u></b>	<b><u>(174,525)</u></b>
 <b>Loss for the period and Total comprehensive loss attributable to:</b>			
Ordinary shareholders		(119,496)	(174,525)
Non-controlling interest		-	-
 <b>Loss per ordinary share (cents)</b>			
<b>From continuing operations: basic and diluted</b>	8	<b><u>(0.3)</u></b>	<b><u>(0.7)</u></b>

*The notes on pages 18 to 38 form an integral part of these financial statements*

**ANDIAMO EXPLORATION LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

**Year ended 31 December 2014**

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Profit &amp; Loss Account</b>	<b>Total</b>
	\$	\$	\$	\$
Balance at 1 January 2014	<u>41,455</u>	<u>10,103,246</u>	<u>(618,879)</u>	<u>9,525,822</u>
Loss for the year	-	-	(119,496)	(119,496)
Issue of shares, net of share issue costs	19,203	1,656,259	-	1,675,462
Balance at 31 December 2014	<u>60,658</u>	<u>11,759,505</u>	<u>(738,375)</u>	<u>11,081,788</u>

**Year ended 31 December 2013**

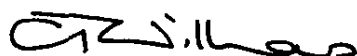
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Profit &amp; Loss Account</b>	<b>Total</b>
	\$	\$	\$	\$
Balance at 1 January 2013	<u>36,265</u>	<u>8,741,987</u>	<u>(444,354)</u>	<u>8,333,898</u>
Loss for the year	-	-	(174,525)	(174,525)
Issue of shares, net of share issue costs	5,190	1,361,259	-	1,366,449
Balance at 31 December 2013	<u>41,455</u>	<u>10,103,246</u>	<u>(618,879)</u>	<u>9,525,822</u>

**ANDIAMO EXPLORATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2014**

		31 December 2014	31 December 2013
	Note	\$	\$
<b>NON CURRENT ASSETS</b>			
Intangible assets	9	10,187,382	8,908,945
Plant and equipment	10	247,992	372,642
Investment in Subsidiaries		-	1
<b>CURRENT ASSETS</b>			
Cash at bank	13	368,996	46,916
Trade and other receivables	11	86,340	22,583
Inventories		205,555	210,818
Advances to Directors	15	1,542	1,252
<b>TOTAL ASSETS</b>		<u>11,097,807</u>	<u>9,563,157</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	16,019	31,175
Loans from Directors		-	6,160
<b>TOTAL LIABILITIES</b>		<u>16,019</u>	<u>37,335</u>
<b>NET ASSETS</b>		<u>11,081,788</u>	<u>9,525,822</u>
<b>SHAREHOLDERS EQUITY</b>			
Share capital	14	60,658	41,455
Share premium account	14	11,759,505	10,103,246
Profit and loss account		<u>(738,375)</u>	<u>(618,879)</u>
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u>11,081,788</u>	<u>9,525,822</u>

The financial statements were approved and authorised for issue by the Board of Directors on 26<sup>th</sup> May 2015



CTP Williams

**Director**

*The notes on pages 18 to 38 form an integral part of these financial statements*



**ANDIAMO EXPLORATION LIMITED**

**STATEMENT OF CASH FLOWS**

**Year ended 31 December 2014**

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Loss before taxation	(119,496)	(174,525)
Add Depreciation	126,244	128,426
Decrease / (Increase) in trade and other receivables	(63,757)	9,495
(Decrease) / Increase in trade and other payables	(15,156)	(4,297)
Decrease / (Increase) in inventories	5,263	23,434
<b>Net cash flows used in operating activities</b>	<b><u>(66,902)</u></b>	<b><u>(17,467)</u></b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(1,278,437)	(1,449,321)
Purchase of tangible fixed assets	(1,594)	(19,284)
Disposal / (Acquisition) of a subsidiary	1	(1)
<b>Net cash used in investing activities</b>	<b><u>(1,280,030)</u></b>	<b><u>(1,468,606)</u></b>
<b>Cash flows from financing activities</b>		
Decrease / (Increase) in advances to Directors	(290)	48,475
(Decrease) / Increase in loans from Directors	(6,160)	6,160
Net proceeds from issue of ordinary shares	1,675,462	1,366,449
<b>Net cash used in financing activities</b>	<b><u>1,669,012</u></b>	<b><u>1,421,084</u></b>
<b>(Decrease) / Increase in cash and cash equivalents</b>	<b><u>322,080</u></b>	<b><u>(64,989)</u></b>
Cash and cash equivalents at beginning of period	<u>46,916</u>	<u>111,905</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>368,996</u></b>	<b><u>46,916</u></b>

*The notes on pages 18 to 38 form an integral part of these financial statements*

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 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 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 6. 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 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 and its subsidiaries 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. As at 31 December 2014 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 financial statements

Year ended 31 December 2014

### 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 financial statements, the following standards and interpretations were in issue, but not yet effective

#### Issued and EU adopted

<i>IAS 32</i>	<i>Amendments</i>
<i>IFRS 10, 12 and IAS 27</i>	<i>Amendments for investment entities</i>
<i>IAS36</i>	<i>Amendments</i>
<i>IFRIC 21</i>	<i>Levies</i>
<i>IFRS 9</i>	<i>Financial instruments</i>

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 financial statements are rounded to the nearest US\$

### 3. ACCOUNTING POLICIES

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

#### Basis of preparation

The financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union. They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The Company has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of 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.

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 3. ACCOUNTING POLICIES (continued)

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

With effect from 19 June 2014, Andiamo disposed of and deconsolidated its fully-owned subsidiary Africa Geophysics Consultants Ltd. The value of net assets was nil and no gain or loss on disposal arose at the time of disposal

#### Going Concern

The 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 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 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.

On 29<sup>th</sup> January 2014 Andiamo entered into an option agreement with Environminerals East Africa Ltd ("EEA") to explore and develop the northern portion of the Haykota Licence Area (the "Project Area"). EEA can earn 50% interest in Andiamo's rights over the Project Area by funding exploration to the value of US\$ 2,000,000 by the 31st December 2015 (the "Exploration Budget"). The Exploration Budget is to be managed and administered by Andiamo.

On completion of the 50% earn-in, Andiamo will grant EEA the exclusive right to earn a further 25% interest in Andiamo's rights over the Project Area by completing at its own expense exploration and research work leading to a Technical and Economic Assessment.

As at 31 December 2014, Andiamo had invoiced EEA US\$ 301,000 towards the earn-in Exploration Budget, including a US\$ 50,000 initial option payment.

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 3 ACCOUNTING POLICIES (continued)

#### 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%

#### Inventories

Inventories comprise fuel, consumables and spares and are stated at the lower of cost and 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.

#### 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.

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 3 ACCOUNTING POLICIES (continued)

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

#### **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

#### **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

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 3 ACCOUNTING POLICIES (continued)

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 the 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.

#### **Financial liabilities**

The Company had no financial liabilities in the year ended 31 December 2014 (31 December 2013 – \$nil).

#### **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.

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 3 ACCOUNTING POLICIES (continued)

#### Foreign currency

The individual financial information of 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 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 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

#### 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

#### 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 revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity



# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 3 ACCOUNTING POLICIES (continued)

#### **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.

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 is 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 to be 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.

#### **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. 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 Eritrean Nakfa (ERN), and potential new legislation and related environmental requirements.

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 3 ACCOUNTING POLICIES (continued)

The Company's ability to continue its exploration programs and develop its projects is dependent on future fundraising 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 This may also affect 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

There has been no impairment charge for the year ended 31 December 2014 (2013 \$Nil)

#### **Events after the balance sheet date**

Post period-end events that provide additional information about the Company's position are reflected in the 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 financial statements

Year ended 31 December 2014

### 4. OPERATING SEGMENTS

The Company undertakes only one business activity as described in the Director's Report and the operating segments have been determined based on geographical areas

The Company did not generate revenue during either the year ended 31 December 2014 (2013 Nil)

The Company's results by reportable segment were as follows

#### Year ended 31 December 2014

	UK \$	Eritrea \$	Total \$
<b>RESULTS</b>			
Operating loss	(119,496)	-	(119,496)

#### Year ended 31 December 2013

	UK \$	Eritrea \$	Total \$
<b>RESULTS</b>			
Operating loss	(174,525)	-	(174,525)

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

**ANDIAMO EXPLORATION LIMITED**

**Notes forming part of the financial statements**

**Year ended 31 December 2014**

**4. OPERATING SEGMENTS (Continued)**

**At 31 December 2014**

	<b>UK</b>	<b>Eritrea</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
Intangible assets	1,620,892	8,566,490	10,187,382
Plant and equipment	-	247,992	247,992
Inventories	-	205,555	205,555
Receivables	74,584	11,756	86,340
Advances to directors	1,542	-	1,542
Cash	<u>355,764</u>	<u>13,232</u>	<u>368,996</u>
Total assets	<u>2,052,782</u>	<u>9,045,025</u>	<u>11,097,807</u>

	<b>UK</b>	<b>Eritrea</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>LIABILITIES</b>			
Trade and other payables	1,316	14,703	16,019
Loans from directors	-	-	-
Total liabilities	<u>1,316</u>	<u>14,703</u>	<u>16,019</u>

**At 31 December 2013**

	<b>UK</b>	<b>Eritrea</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
Intangible assets	1,575,029	7,333,916	8,908,945
Plant and equipment	-	372,642	372,642
Investment in subsidiaries	1	-	1
Inventories	-	210,818	210,818
Receivables	12,907	9,676	22,583
Advances to directors	1,252	-	1,252
Cash	<u>37,612</u>	<u>9,304</u>	<u>46,916</u>
Total assets	<u>1,626,801</u>	<u>7,936,356</u>	<u>9,563,157</u>

	<b>UK</b>	<b>Eritrea</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>LIABILITIES</b>			
Trade and other payables	12,119	19,056	31,175
Loans from directors	-	<u>6,160</u>	<u>6,160</u>
Total liabilities	<u>12,119</u>	<u>25,216</u>	<u>37,335</u>

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

### Year ended 31 December 2014

#### 5. STAFF COSTS

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Wages and salaries (Eritrea)	188,275	229,575
Wages and salaries (UK)	138,193	168,462
Employer's National Insurance (UK)	7,369	21,955
Directors' fees	<u>178,992</u>	<u>153,046</u>
Total	<u>512,829</u>	<u>573,038</u>

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

	Year ended 31 December 2014	Year ended 31 December 2013
Directors	4	4
Employees	<u>26</u>	<u>56</u>
	<u>30</u>	<u>60</u>

The above total for directors' fees in the year to 31 December 2014 includes \$62,200 for Dr S Berhe, \$116,792 for Dr C T P Williams. Details of transactions with related parties are set out in note 15 to the financial statements

#### 6. OPERATING LOSS IS STATED AFTER CHARGING:

	Year ended 31 December 2014 \$	Year ended 31 December 2013 \$
Fees payable to the company's auditor for the audit of the company's annual accounts	17,000	17,500
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>2,200</u>	<u>2,200</u>
	<u>19,200</u>	<u>19,700</u>

**ANDIAMO EXPLORATION LIMITED**

**Notes forming part of the financial statements**

**Year ended 31 December 2014**

**7. TAXATION**

**Analysis of the tax charge**

	<b>Year ended 31 December 2014 \$</b>	<b>Year ended 31 December 2013 \$</b>
Current tax		
Tax	-	-
Total tax charge in income statement	<u>-</u>	<u>-</u>

**Reconciliation of the tax charge**

	<b>Year ended 31 December 2014 \$</b>	<b>Year ended 31 December 2013 \$</b>
Loss before tax	<u>(119,496)</u>	<u>(174,525)</u>
Deferred tax asset loss before tax multiplied by standard rate of corporation tax in the UK of 21% (2013 23%)	25,094	40,141
Effects of Deferred tax not provided	<u>(25,094)</u>	<u>(40,141)</u>
Total tax charge in income statement	<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 in the foreseeable future against which the deductible temporary difference can be utilised. The cumulative amount of the asset not recognised for the year ended 31 December 2014 is \$164,543 (2013 \$139,449). The asset may be recovered if the Company made taxable profits in future years.

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

### Year ended 31 December 2014

#### 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 2014	Year ended 31 December 2013
Weighted average number of ordinary shares in issue	37,137,864	26,577,198
Loss after taxation	\$(119,496)	\$(174,525)
Loss per share (cents)	0.3	0.7

Due to there being a loss during the year there are no dilutive transactions and therefore no diluted loss per share has been presented

#### 9. INTANGIBLE ASSETS

	Exploration costs \$
<b>Cost:</b>	
At 1 January 2014	8,908,945
Additions	1,579,437
Proceeds relating to farm-in with EEA	<u>(301,000)</u>
At 31 December 2014	<u>10,187,382</u>
<b>Net Book Value:</b>	
At 31 December 2013	<u>8,908,945</u>
At 31 December 2014	<u>10,187,382</u>

**ANDIAMO EXPLORATION LIMITED**

**Notes forming part of the financial statements**

**Year ended 31 December 2014**

**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 2014. The recoverability of the intangible assets is dependent upon the future realisation or disposal of gold, base metals or other mineral resources.

During the year ended 31 December 2014, Andiamo invoiced EEA \$301,000 in relation to the farm-out agreement signed on 29 January 2014. The proceeds have been credited against the previously capitalised exploration costs. The farm-out agreement stipulates that EEA can earn an initial 50% interest in Andiamo's rights over the northern portion of the Haykota Licence by funding a minimum of US\$ 2,000,000 expenditure for exploration and research by 31st December 2015.

**10. PLANT AND EQUIPMENT**

	<b>Field machinery &amp; equipment \$</b>	<b>Motor vehicles \$</b>	<b>Computer and accessories \$</b>	<b>Furniture and equipment \$</b>	<b>Total \$</b>
<b>COST</b>					
Balance at 1 January 2014	384,933	203,148	38,590	45,702	672,373
Additions	<u>1,594</u>	-	-	-	<u>1,594</u>
Balance at 31 December 2014	<u>386,527</u>	<u>203,148</u>	<u>38,590</u>	<u>45,702</u>	<u>673,967</u>
<b>DEPRECIATION</b>					
Balance at 1 January 2014	154,858	98,353	31,082	15,438	299,731
Charge for the year	73,512	40,630	6,135	5,967	126,244
Balance at 31 December 2014	<u>228,370</u>	<u>138,983</u>	<u>37,217</u>	<u>21,405</u>	<u>425,975</u>
<b>Book value at 31 December 2014</b>	<u>158,157</u>	<u>64,165</u>	<u>1,373</u>	<u>24,297</u>	<u>247,992</u>



**ANDIAMO EXPLORATION LIMITED**

**Notes forming part of the financial statements**

**Year ended 31 December 2014**

**11. TRADE AND OTHER RECEIVABLES**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	65,000	-
Prepayments	9,994	1,325
Other receivables	11,346	10,463
Loan to Equator Gold Limited	=	<u>10,795</u>
Total	<u>86,340</u>	<u>22,583</u>

The carrying value of receivables approximates to fair value. Trade receivables in the current year relate to amounts invoiced to EEA as reimbursement for costs incurred in the northern portion of the Haykota Licence, settled in March 2015. Other receivables include the Company's VAT, which was settled in January 2015, and advances made to staff in Eritrea.

**12. TRADE AND OTHER PAYABLES**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Accrued expenses	253	15,671
Other payables	9,394	1,947
Trade payables	<u>6,372</u>	<u>13,557</u>
Total	<u>16,019</u>	<u>31,175</u>

The carrying value of trade and other payables approximates to fair value. Trade and other payables include the December 2014 staff salary and related taxes payable in London and Eritrea, which were settled in January 2015.

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 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 is that no trading in financial instruments shall be undertaken

#### Financial instruments by category

Assets per balance sheet	2014 \$	2013 \$
Cash and cash equivalents	368,996	46,916
Trade and other receivables	86,340	22,583
Advances to Directors	<u>1,542</u>	<u>1,252</u>
Total	<u>456,878</u>	<u>70,751</u>

Trade and other receivables include \$65,000 in invoices to EEA for reimbursement of expenditure relating to the farm-out agreement pertaining to the northern portion of the Haykota licence (2013 Nil)

#### Liabilities per balance sheet

	2014 \$	2013 \$
Accrued expenses	253	15,671
Other payables	9,394	1,947
Trade payables	<u>6,372</u>	<u>13,557</u>
Total	<u>16,019</u>	<u>31,175</u>

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

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 13. FINANCIAL INSTRUMENTS (continued)

#### 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 does not hedge its foreign currencies. 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 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.

#### (b) Credit risk

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.

#### (c) Liquidity risks

Operational cash flow principally 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.

# ANDIAMO EXPLORATION LIMITED

## Notes forming part of the financial statements

Year ended 31 December 2014

### 13. FINANCIAL INSTRUMENTS (continued)

#### (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 9 in the Strategic Report.

At 31 December 2014, the currency and interest rate profile of the financial assets and liabilities of Andiamo were as follows:

	2014	2013
	\$	\$
Financial assets		
GBP – cash and cash equivalents	21,433	7,654
USD – cash and cash equivalents	343,071	33,115
ERN – cash and cash equivalents	4,492	6,147

A decrease of 1% on the interest rates offered by banks will not have any significant impact on the interest receivable (2013 \$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 financial statements**

**Year ended 31 December 2014**

**14. SHARE CAPITAL**

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

	Number	Nominal \$	Share Premium \$
<b>Ordinary shares of £0.001, issued and fully paid</b>			
As at 01 January 2013	24,175,765	36,265	8,741,987
Issued 22 January 2013 at US\$ 0.50 per share	1,202,000	1,923	599,077
Issued 31 January 2013 at US\$ 0.50 per share	555,040	888	276,632
Issued 04 April 2013 at US\$ 0.50 per share	190,000	304	94,696
Issued 24 June 2013 at US\$ 0.50 per share	1,296,625	2,075	464,925
<b>Total number of shares issued in 2013</b>	<b>3,243,665</b>	<b>5,190</b>	<b>1,435,330</b>
Share issue costs			(74,071)
<b>As at 31 December 2013</b>	<b>27,419,430</b>	<b>41,455</b>	<b>10,103,246</b>
<b>Ordinary shares of £0.001, issued and fully paid</b>			
As at 01 January 2014	27,419,430	41,455	10,103,246
Issued 15 January 2014 at US\$ 0.15 per share	3,333,333	5,333	494,667
Issued 14 March 2014 at US\$ 0.15 per share	4,620,000	7,392	685,608
Issued 14 March 2014 at US\$ 0.15 per share	325,000	520	-
Issued 24 March 2014 at US\$ 0.15 per share	15,000	24	2,226
Issued 08 April 2014 at US\$ 0.15 per share	100,000	160	-
Issued 24 April 2014 at US\$ 0.15 per share	3,608,334	5,774	535,476
<b>Total number of shares issued in 2014</b>	<b>12,001,667</b>	<b>19,203</b>	<b>1,717,977</b>
Share issue costs			(61,718)
<b>As at 31 December 2014</b>	<b>39,421,097</b>	<b>60,658</b>	<b>11,759,505</b>

**15. TRANSACTIONS WITH RELATED PARTIES**

In normal course of its business, the Company provided interest free, unsecured advances worth US\$ 1,542 (2013 US\$ 1,252) to a director of the Company. The advances were outstanding as at 31 December 2014.

**ANDIAMO EXPLORATION LIMITED**

**Notes forming part of the financial statements**

**Year ended 31 December 2014**

**15. TRANSACTIONS WITH RELATED PARTIES (continued)**

The Company agreed with Equator Gold Limited, a company of which the director Mark Parker is also a director, to loan professional staff of the Company to complete a geological survey in South Sudan throughout the month of April 2013. The loan was considered unrecoverable during the year to 31 December 2014 at a total cost to the Company of \$10,795.

**16. ULTIMATE CONTROLLING PARTY**

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

**17. POST BALANCE SHEET EVENTS**

Andiamo received US\$ 218,837 from EEA between 1 January – 19 April 2015 as reimbursement of Haykota JV expenditures incurred in the Project Area. The Company is in the process of planning a drilling program of approximately 1,000m over the “Mt Hoba” target and EEA has advanced US\$ 62,580 towards the cost of building a road towards the drilling site (which is included in the US\$ 218,837 received from EEA between 1 January – 19 April 2015).