

WARNING/IMPORTANT

The contents of this document and the terms of the Offer to Shareholders have not been reviewed or approved by an authorised person within the meaning of the Financial Services and Markets Act 2000. Reliance on this promotion for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all the property or assets invested.

If you are in any doubt about any of the contents of this document and other Rights Issue documents you should seek independent professional advice.



28th January 2014

Offer to Shareholders to subscribe for up to 3,500,000 units at a subscription price of US\$ 0.15 per unit (the "Offer"); each unit to consist of one Ordinary Share and one Share Purchase Warrant to subscribe for an additional Ordinary Share at US\$ 0.20 on or before 31 December 2015 (the "Placement Units").

Andiamo Exploration Limited ("Andiamo" or the "Company") announced on the 13th January 2014 that Ortac Resources Limited ("Ortac"), a company listed on the London AIM market under the ticker "OTC", has signed a conditional agreement to subscribe for up to 10,000,000 units at a subscription price of US\$ 0.15 per unit to raise an aggregate of up to US\$ 1,500,000. Each unit consists of one Ordinary Share and one warrant to subscribe for an additional ordinary share at US\$ 0.20 on or before 31 December 2015 ("Share Purchase Warrant").

Following the agreement with Ortac, the Board of Andiamo is pleased to offer existing Andiamo shareholders the opportunity to subscribe on the same terms.

A Subscription Agreement is appended. If you wish to participate in the Offer please read this Circular, complete and execute the Subscription Agreement and remit the funds to the account set out therein.

Terms of Subscription Offer to Shareholders

The Company invites Shareholders to apply for Placement Units of one share and one warrant, at a subscription price of US\$ 0.15 per Placement Unit. Each Share Purchase Warrant will entitle the holder to subscribe for an additional ordinary share at US\$ 0.20 on or before 31 December 2015.

Shareholders may apply for any number of Placement Units but in the event that the Offer is over-subscribed, the applications will be scaled back at the discretion of Andiamo's Board of Directors. In particular, in the event that any eligible Shareholder applies for a large number of Offer Shares

compared to other applicants, that eligible Shareholder's application may be scaled back so as to allow the smaller applicants to participate.

In the event that the number of Placement Units allotted to a Shareholder is less than the number applied for, the amount due for the number of Placement Units allotted will be calculated and the balance will be returned to the Shareholder.

Use of proceeds

The proceeds of the Offer will be applied principally to the preparation of studies needed for the Company to apply for a Mining Licence over the Yacob Dewar gold-copper deposit. Part of the proceeds will be used for exploration within the Company's licence areas and for general working capital.

Background to the Ortac Transaction

Ortac Resources plc is a London AIM listed mining company developing the proven Šturec gold/silver project in Slovakia, which has over 1.2 million ounces of gold equivalent in reserves and resources. This project is now at the permitting stage and Ortac has been looking for another project to engage its substantial "in house" development team, which it is keen to keep together.

Ortac's strategic alliance with Andiamo was made after it had evaluated a number of candidate projects, and was based principally on Andiamo's advanced Yacob Dewar oxide gold project. Yacob Dewar is a high grade, near surface, oxide gold deposit in flat terrain close to a sealed main road and a water supply. The work Andiamo has carried out at Yacob Dewar to date indicates that the deposit can be developed profitably. Its profitability will be enhanced if additional resources can be outlined.

Ortac will invest at least US\$ 0.5 million and up to US\$ 1.5 million in Andiamo at US\$ 0.15 per Ordinary Share, followed by a further US\$2 million at US\$ 0.20 per Ordinary Share if results are as good as expected. In addition, Ortac commits to provide full internal support to deliver a Technical and Economic Assessment adequate to support a Mining Licence application by Andiamo by 30th June 2015. The alliance will give Andiamo access to Ortac's technical and managerial strength and help resolve the transition from explorer to miner.

If fully consummated, the alliance is expected to deliver everything Andiamo needs to apply for a mining licence for the Yacob Dewar oxide gold deposit, as well as financing exploration for additional gold and copper resources.

Ortac's subscription will also include substantial technical input by Ortac's first-rate management team. The investment values Andiamo at US\$ 5.6 million (post the initial US\$ 1.5 million investment), which we consider to be a very good valuation in current markets. We firmly believe that this transaction, with a first class mining group, is greatly in the interests of Andiamo and its shareholders.

Principal Terms of the Ortac Transaction

1. Share subscription

Ortac will subscribe up to US\$ 1.5 million at 15.0¢ per share, in three tranches, for up to 26.7% of the enlarged share capital of Andiamo, on an undiluted basis and subject to any participation by existing shareholders, as follows:

- US\$ 500,000 immediately on signing of subscription agreement
- US\$ 500,000 following site visit, geological due diligence and a satisfactory title opinion
- US\$ 500,000 on completion of first round of drilling, probably Q2 2014.

Subscription of Tranche 1 was completed on 17th January 2014. Ortac can choose not to participate in rounds 2 and 3, should it elect not to do so following geological and legal due diligence process.

2. Warrant

Provided that the Full Subscription is made by 31 July 2014 and subject to completion by 30 June 2015 of a Technical and Economic Study ('TES'), adequate to support a Mining Licence application by Andiamo, then Ortac is entitled, at its sole discretion, to subscribe for up to 10 million additional ordinary shares of 0.1p each in Andiamo at US\$ 0.20 per share, such entitlement to expire, if not exercised, by 31 December 2015.

3. Use of proceeds

The proceeds from the subscription for shares by Ortac will be applied on exploration programmes agreed with Ortac, which may include Andiamo's reasonable overhead and administrative costs.

4. Directors & technical advisor

As long as Ortac holds more than 20 per cent of the issued share capital of Andiamo it has the right to appoint one director to the board of Andiamo and one technical advisor appointed to the management team of Andiamo, maintained as Ortac's discretion.

Andiamo's Board shall not exceed 5 directors at any one time unless otherwise resolved by shareholders in a general meeting.

5. Dilution of Shareholding

Ortac will have the right to participate in any future equity capital raisings by Andiamo in proportion to Ortac's existing holding at that time.

6. Required to make an offer

If, at any time prior to 31 December 2015, Ortac holds more than 40 per cent. of the issued share capital of Andiamo, Ortac will make an offer to acquire all the remaining shares of Andiamo (not already held by Ortac) at the highest price paid by Ortac in the 12 months preceding such offer.

Andiamo Exploration Ltd

Andiamo's Haykota licence is located 50 kilometres to the south west of the producing Bisha Mine, which is a high-grade volcanogenic massive sulphide ("VMS") deposit and has been one of the most profitable oxide gold mines and is now one of the highest grade open pit copper mines in the world. Haykota lies along strike from Bisha on the same VMS trend within the highly prospective, yet under-explored, Arabian-Nubian shield. Multi-billion dollar gold and copper VMS deposits discovered so far within the Arabian-Nubian Shield include Bisha (Nevsun Resources, Eritrea); Jabal Sayid (Barrick Gold Corp, Saudi Arabia); Sukari (Centamin, Egypt); and Hassai (La Mancha Resources, Sudan).

Andiamo has held the Haykota licence since July 2009. Over the last four years the company has actively explored the licence block using a range of exploration techniques, including: a comprehensive airborne geophysical survey across the whole licence block; ground-based geophysical methods; geochemical sampling; geological mapping and drilling by both Reverse Circulation and Diamond methods. The Haykota area benefits from good infrastructure, including a sealed road from the licence to the capital, Asmara, excellent field camp facilities, and ample process water from the river Gash which crosses the licence area.

Haykota is prospective for both of the common mineralisation styles in Eritrea: VMS deposits and orogenic gold deposits. The southern part of the licence area holds the highest potential for orogenic gold deposits, while the northern part contains outcropping and buried VMS mineralisation, including gold-enriched near-surface oxide mineralisation. Significant discoveries of potentially economic mineralisation have been identified at two locations, Yacob Dewar and Ber Gebey, which justify further expenditure.

Andiamo has performed an initial mineral resource estimate and economic evaluation of the oxide gold occurrence at Yacob Dewar, concluding that the deposit is likely to be viable and that the this resource is likely to increase substantially following further exploration both along strike and at depth. The copper deposit at Yacob Dewar has barely been explored beyond the discovery hole. Many other targets exist along the 30km of VMS trend that lies within the licence block.

In addition to the Yacob Dewar VMS target, gold mineralization has been identified in a number of shear zones within the southern part of the Haykota Licence.

Risk factors

ANY INVESTMENT IN ANDIAMO IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. The price of the Company's securities and the income from them can go down as well as up. Investment in the Company should only be made by investors able to sustain a total loss of their investment.

This circular does not comprise advice on the suitability of an investment in shares in the Company for any particular investor or prospective investor and is given for information purposes only. If you are in any doubt about the contents of this circular information memorandum you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

This Circular includes forward looking statements. All statements other than statements of historical fact included in this Circular regarding the business, financial condition, results of operations of the Company, and certain plans, objectives, assumptions, expectations or beliefs with respect to these items and statements regarding other future events or prospects, are forward looking statements. Should one or more of the risks or uncertainties associated with such forward looking statements materialise, or should assumptions underlying such forward looking statements prove incorrect, actual results may vary materially from those described herein.

No application has been or is being made for admission of the Placement Units, Ordinary Shares or Warrants in the Company to any recognised investment exchange and therefore there will be a very restricted market for them. Accordingly it may be difficult for shareholders to sell their Shares or to obtain reliable information about the realisable value of their Shares at any particular time and the extent of the risks to which the investment is exposed.

The Directors consider the following risks and other factors to be those most significant for potential investors. Potential investors should carefully consider the risks before making a decision to invest in the Ordinary Shares.

RISKS SPECIFIC TO ERITREA

- Political risk
- Security risks
- Licensing and title risk
- Legal and tax systems
- Economic risk
- Weather
- Infrastructure

OPERATIONAL RISKS

- Early stage of operations
- Exploration and mining risks
- Operational targets and delays
- Volatility of metal prices and exchange rates
- Insurance coverage
- Development projects
- Environmental factors
- Limited operating history
- Financing
- Access to capital markets
- Acquisition and joint venture risks
- Competition
- Actions or omissions by third parties, including contractors and partners
- Dependency on key personnel
- Ability to recruit and retain staff

RISKS RELATING TO THE PLACING

- Liquidity of the Ordinary Shares
- Forward looking statements

GENERAL

The risks noted above do not necessarily comprise all those potentially faced by the Company and are not intended to be presented in any assumed order of priority.

Although the Directors will seek to minimise the impact of the Risk Factors, investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult an investment adviser who specialises in investments of this nature before making any decision to invest.

Dr Charles Timothy Williams



CEO
Andiamo Exploration Ltd