



Chief Executive Officer's letter to the shareholders

February 2014

- *Transaction with Ortac Resources Limited*
- *Option granted to Environminerals East Africa*
- *Share and warrant offer to shareholders*

Summary

- Andiamo has entered into an agreement with Ortac Resources Limited (AIM: OTC) for Ortac to invest potentially US\$1.5m into Andiamo for 10M units consisting of one share at US\$0.15 and one share purchase warrant exercisable at US\$0.20 until 31 December 2015.
- This finance is to be directed primarily for the extension and development of the known gold and copper mineralisation at the Yacob Dewar/ Ber Gebay trend.
- In a separate agreement, Andiamo has granted an option to Environminerals East Africa (EEA) for EEA to potentially earn initially 50% and subsequently a 75% interest in any mineral developments in the northern part of the Haykota Exploration Licence.
- Andiamo is also offering its existing shareholders the opportunity to subscribe for new shares and warrants at the same price (US\$0.15 per unit) as those being issued to Ortac.

Ortac investment into Andiamo

Part of the text of the public announcement by Ortac is shown below, which summarises the terms of the agreement between Andiamo and Ortac.

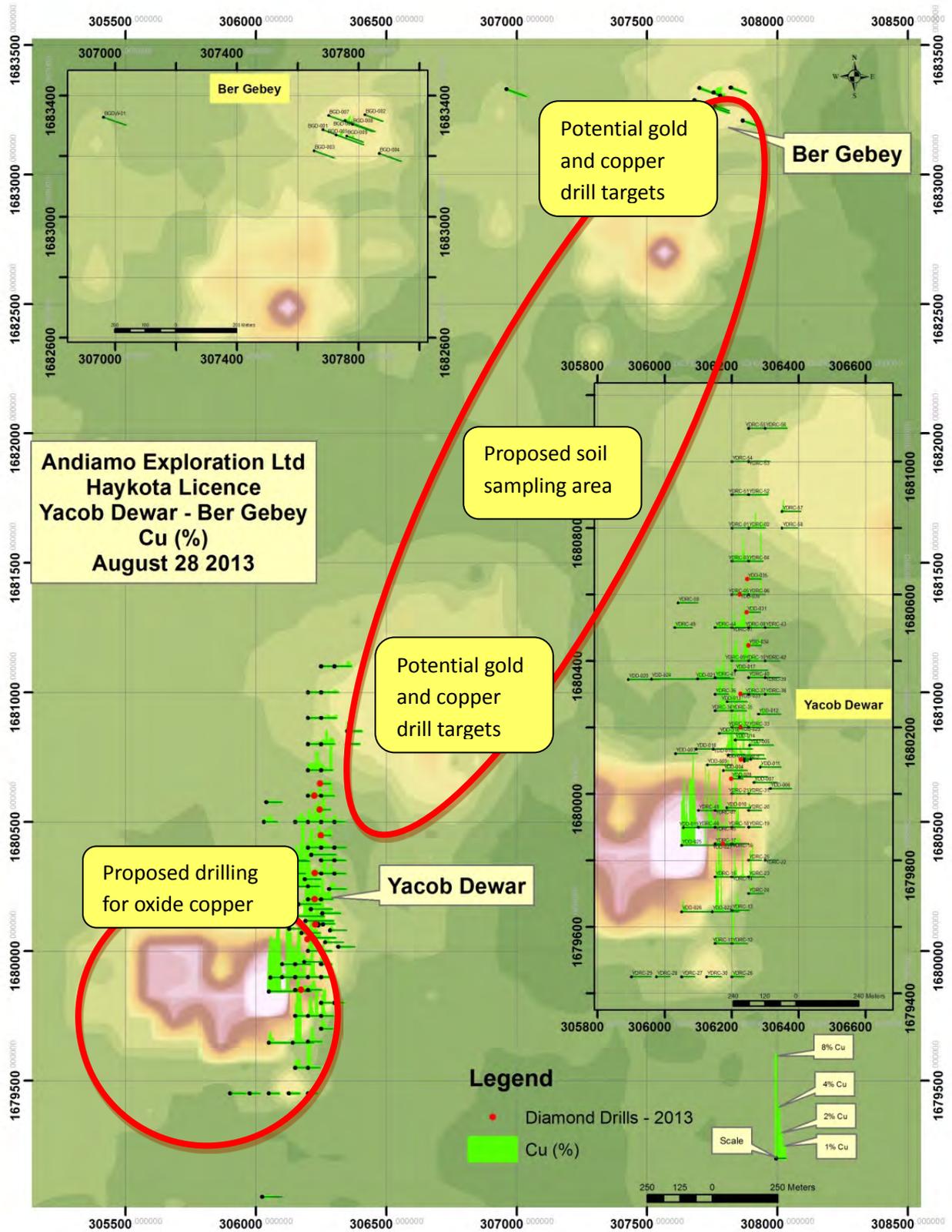


Ortac Resources Limited ('Ortac' or 'the Company')
Conditional Subscription Agreement to initially acquire up to 27% of
Andiamo Exploration Limited

Ortac Resources Limited ('Ortac') is pleased to announce the formation of a strategic alliance with Andiamo Exploration Limited ('Andiamo'), a private UK incorporated mineral exploration company currently developing advanced, exploration stage Volcanogenic Massive Sulphide (VMS), gold-copper projects in Eritrea. Ortac has entered into a subscription agreement to acquire up to 26.7% of the enlarged share capital of Andiamo having conditionally agreed to subscribe for shares, in three equal tranches, totalling US\$1.5m ('the subscription'). Completion of the first tranche is expected on or around 17 January 2014. In addition, Ortac has secured the right to acquire an additional 21% shareholding in Andiamo for a further US\$2.0m investment, subject to certain terms and conditions set out in the subscription agreement. Further details of the subscription agreement are provided in the Principal Terms of Subscription Agreement, listed below.

- Ortac's initial investment of up to US\$1.5m to acquire up to 10,000,000 shares includes a conditional option to acquire a further 10,000,000 shares for US\$2.0m for a total interest of up to 42.2% in Andiamo.
- Subscription funds deployed to further advance exploration and technical development:
 - Commencement of an initial drilling programme in Q1 2014 targeting the recently discovered high grade copper mineralisation at the Jacob Dewar deposit, where recent drilling intersected 63m of mineralisation from surface at an average grade of 2.4% Cu.
 - Second drilling programme to commence later in Q1 to target the known high-grade oxide gold VMS occurrence at Jacob Dewar, with the aim of expanding the deposit along the known 800m strike, where recent drilling has returned intercepts including 9m @ 22.5g/t Au.
 - Undertake a review of multiple further targets identified by airborne geophysical surveys along the identified 30km exhalite trend, which is highly prospective for Bisha-style VMS mineralisation.
- Ortac to appoint one director to the Andiamo board and to appoint a technical advisor to the management team.
- Andiamo's existing shareholders will have the right to participate in this subscription on the same terms as Ortac under a rights issue.

Vassilios Carellas Ortac CEO commented, "The investment announced today in Andiamo is the outcome of a long and exhaustive process of project reviews and evaluations conducted by Ortac, across a number of projects. Andiamo has, in our view, a stand out portfolio of very prospective high-grade copper and gold exploration projects, which will broaden our portfolio and deliver an additional margin of investment safety for our shareholders, as we continue to progress our proven Šturec gold project in Slovakia. We now look forward to working closely with the Andiamo team to unlock near term value from these exciting Eritrean projects".



The first targets covered by the agreement with Ortac in the Yacob Dewa – Ber Gebay trend. In this chart the background colours are the COPPER-in-soil results at Yacob Dewar towards Ber Gebay. The green lines represent copper drill assays (scale at bottom right). The grid square lines are 500 metres apart

Option Agreement for Northern Portion of Haykota Licence

Andiamo has entered into an option agreement with Environminerals East Africa Ltd ('EEA') to explore and develop the northern portion of the Haykota Licence Area.

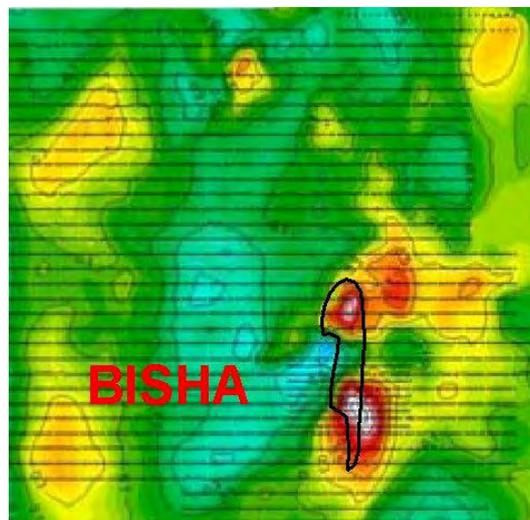
Terms of the Option:

- Andiamo has granted EEA an option to earn a 50% interest and subsequently a 75% interest (the 'Option') in Andiamo's rights over 87km² ('the Project Area') in the northern part of the Haykota Licence, representing 35% of the total licence area held by Andiamo.
- The Option is exercisable for a period of three (3) months from 30th January 2014 (the 'Option Period').
- During the Option Period EEA is to fund the collection and analysis of geochemical soil samples at an estimated cost of US\$50,000.
- On exercise of the Option, 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 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.
- If the conclusions of the Technical and Economic Assessment indicate that a viable mining operation can be developed within the Project Area, then Andiamo and EEA shall establish a Project Company in which EEA will hold 75% of the shares and Andiamo will hold 25% of the shares. Andiamo and EEA will then apply for a Mining Licence, subject to the laws of the State of Eritrea.
- It is envisaged that a Mining Share Company shall be formed to hold the Mining License, in accordance with the provisions of the Minerals Proclamation 1995 of the State of Eritrea. A new jointly owned Private Limited Liability Company Project Company shall hold Andiamo and EEA's interest in such Mining Share Company holding a Mining License within the Project Area.
- Following completion of the Technical and Economic Assessment and any application for a Mining Licence, the Parties will contribute to any expenditure pro-rata to their interests in the Project Area.

Why is this option agreement important for Andiamo Shareholders?

A number of large VMS targets have been identified within the Haykota Exploration Licence on the basis of airborne and ground geophysical surveys, followed by geological interpretations on the ground conducted by Andiamo. These targets are located primarily in the North Eastern portion of the Haykota Exploration Licence, which is the 87km² area covered by the option agreement with EEA.

Eritrea hosts a modern mine on the Bisha VMS deposit, some 55km to the north east (along strike) from the Yacob Dewar deposit (see www.nevsun.com). The geophysical response of the Bisha VMS deposit appears to be characterised by a distinct gravity anomaly of the order of 1.5 mgal together with a clearly defined airborne EM anomaly.

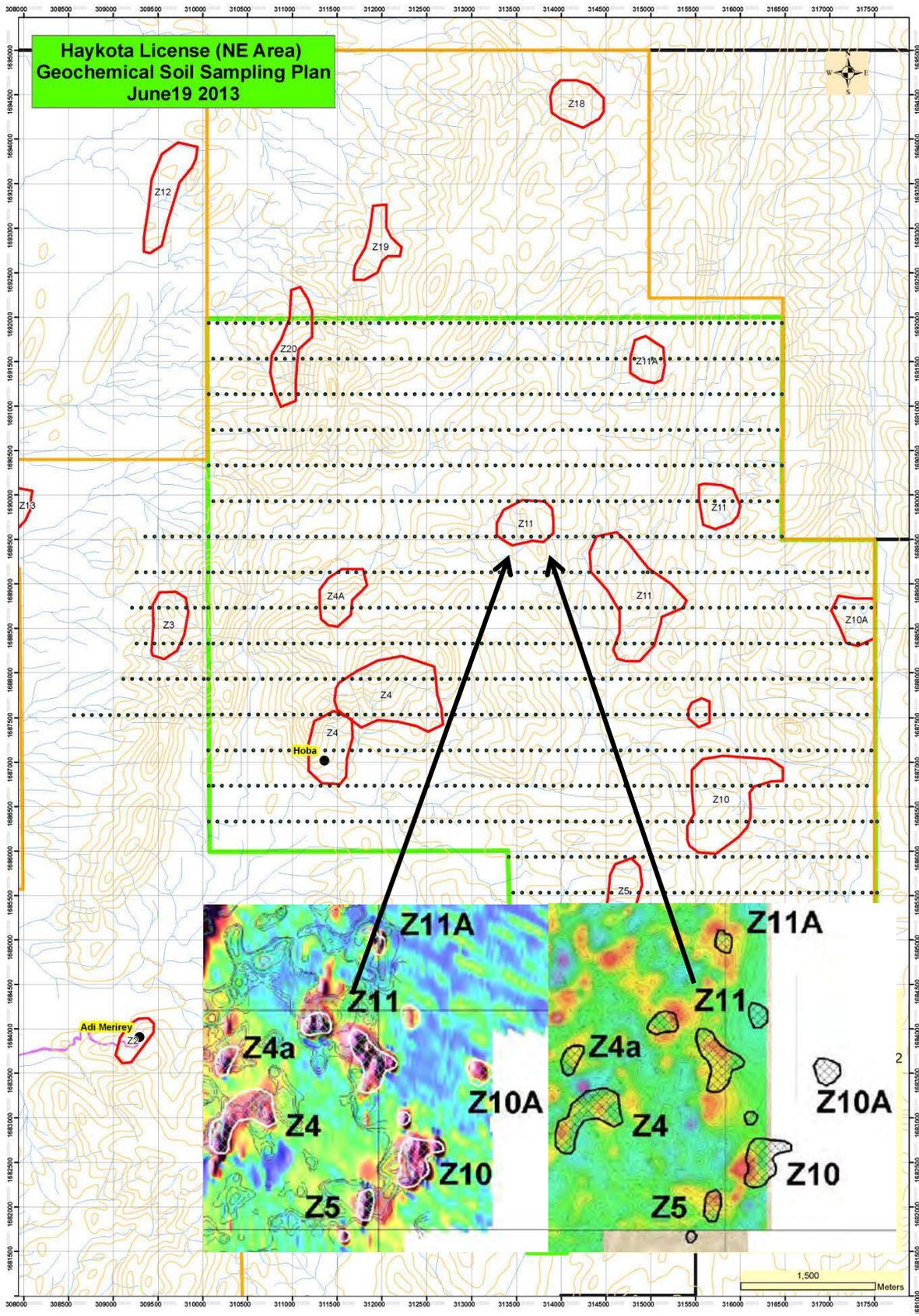


Bisha mine gravity response. The outline of the VMS deposit is shown in black

Several of the targets within the northern portion of Andiamo's Haykota Exploration Licence exhibit coincident gravity and electromagnetic anomalies: indicating lithologies that are both anomalously dense and anomalously conductive. Whilst there are other possible explanations for these anomalies, this is a signature characteristic of potential VMS deposits.

Several of these targets have also been subject to initial surface analysis and exhibit the ferruginous outcrop typical of sulphide mineralisation. In addition stream sediment sampling has indicated anomalously mineralized locations.

This exploration program that Andiamo has agreed with EEA is intended to examine these specific targets, and either to eliminate them as potentially economic mineral deposits, or to recommend whether further expenditure is justified on each of them. The next step in this process consists in a geochemical soil sampling grid over the core area over the next 6-8 weeks.



VTEM and gravity analysis of these targets have shown several conductive bodies in the NE area

Offer of units to Andiamo Shareholders

Andiamo holds the principle that, if at all possible, existing shareholders should be given the opportunity to participate in new share issues on the same terms as new shareholders.

Accordingly, the Company has opened an offer to subscribe for units at US\$0.15 to its shareholders. These units are essentially identical to those issued or to be issued to Ortac and consist of one fully paid ordinary share and a share purchase warrant to purchase an additional share for US\$0.20 by 31st December 2015.

The management and directors hope that the shareholders of the company will take this opportunity to retain their interest in the company and share in the future benefits that we believe will arise from the development of the Company's projects in Eritrea.

Charles Timothy Williams

CEO



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