



New Year message from the Chairman

19th January 2015

Dear shareholder,

I am writing to bring you up to date with Andiamo's progress during 2014 and to outline our plans for 2015. In this letter, I also share my responses to some questions recently asked by shareholders.

This has been a busy and successful year for Andiamo. 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 brought key skills in resource geology, mining and mineral processing which we would otherwise have had to buy in.

A 3000m drilling programme at Yacob Dewar in June used special techniques to recover core from the friable material of the gold-bearing zones. These cores, and the material sampled by our 1800m 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 ore samples to the UK which are now being subjected to metallurgical testing.

Excellent field work by our geological consultants Dr Richard Belcher and Dan Hamer, working with our Eritrean geologists under the leadership of Kiflom Tekle, has yielded greatly improved geological maps, not only of the main Yacob Dewar deposits but also of the mineralisation along strike at Ber Gebay.

Separately from the share issue to Ortac, in January we signed a farm-in deal 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 are 6batch of 275 systematic samples from 12 new trenches for 240m over these targets was recently submitted to the lab and results are expected in the new year.

In June, Andiamo agreed a second farm-in with EEA to cover our new licence application. Preliminary work in this area has mapped a number of artisanal gold operations and shown that the geology is highly prospective for VMS mineralisation.

At the very end of the year we received Ortac's preliminary report on the separate gold and copper mineral resource estimates at Yacob Dewar. Although I can't yet share these with you, because of

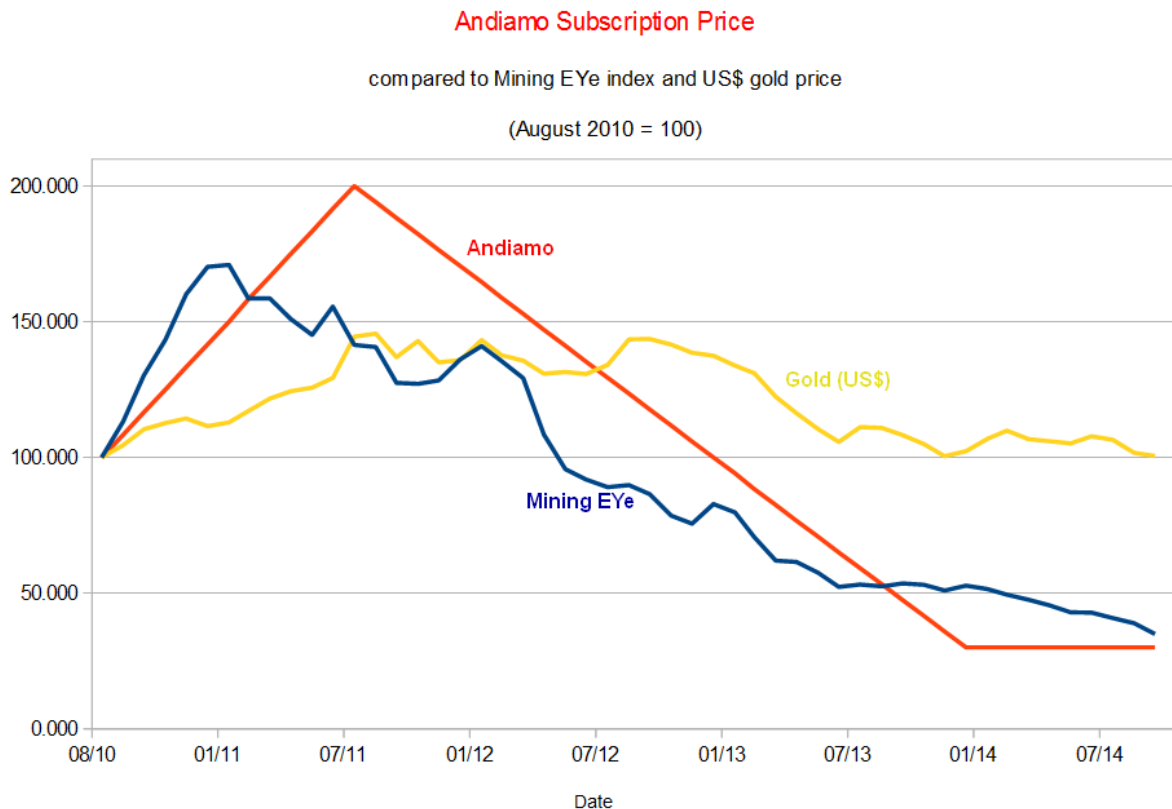
disclosure rules affecting our partner Ortac, I can tell you that both the gold and copper deposits are big enough and of sufficient grade that they are very likely to be economically viable - according to our financial estimations.

I have to say that 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. However, we believe that we have been in the top tier of junior exploration companies in terms of delivery, as I have tried to show.

Now, answers to some recent questions from shareholders.

How has Andiamo stock performed compared to the market?

I'm sure that you are all aware that the market has retreated from mining stocks in general and junior mining stocks in particular. This is due to a spiral driven by falling metals prices (especially gold, and more recently copper), flight from risk and redemptions from specialist funds. The chart below shows the prices at which Andiamo has raised capital since August 2010, compared with Ernst and Young's Mining EYe index of the top 20 mining companies on London AIM. The index has lost 60% of its value since Andiamo first raised capital in mid 2010. For comparison, I also show the US\$ gold price. As you see, we have broadly tracked and certainly not underperformed the market. As noted above, we have not only survived these hard times but also made good progress, unlike many small exploration companies.



What are Andiamo's plans regarding an IPO?

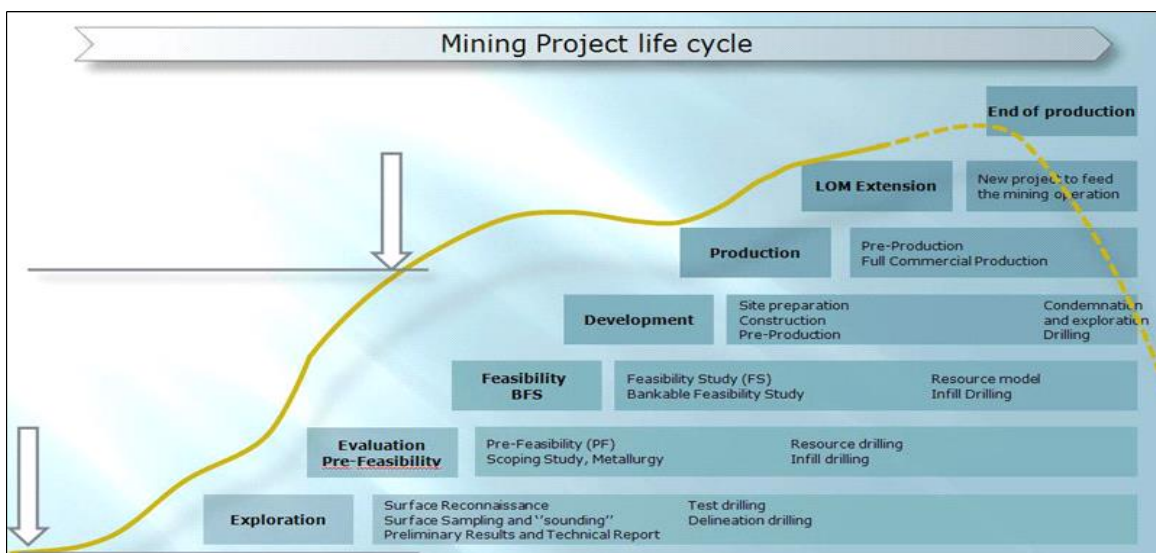
As you know, Andiamo planned to seek a stock-exchange listing, either on London AIM or the Toronto Venture Exchange. In preparation for this, we commissioned an independent “competent person's report” from SRK; prepared accounts and financial procedures prior to submission to a reporting accountant, and initiated discussions with potential brokers and nominated advisers (nomads). However, when it became clear that market sentiment was turning against our sector, we concluded that the funds likely to be raised at IPO would not justify the substantial costs.

Instead, to develop and expand our operations without diluting existing shareholders, we have turned to joint ventures and farm-ins, rather than issuing new equity. Even the subscription by Ortac, although the cash price was in line with market movements, also made available key skills which we would otherwise have had to buy.

Andiamo remains determined to provide shareholders with an exit, not an exit at any cost. Alternative exits to an IPO could include a merger with a listed entity, or perhaps the acquisition of the Company's capital by a larger mining company. We are actively pursuing all these alternatives.

What is Andiamo's business strategy and how has it been affected by market conditions?

Andiamo is a “junior” exploration company. The traditional junior explorer business model involves working from target identification, through scout drilling, resource drilling, and preliminary economic assessment to detailed feasibility study: reducing risk and adding value at each stage. Discoveries might be “monetised” at any stage, through a public listing, a trade sale or some kind of joint venture, though the probable success of this route increases as the project advances through the stages.



Source: LK Consult

An example of the traditional value curve through time is shown below; the greatest value is added between discovery and economic assessment or feasibility study, as shown by the arrows.

Over the last couple of years, this classic model has been disrupted by market forces - a combination of flight from risk, falling commodity prices and deflation (which paradoxically makes gold less attractive) has led to a spiral of falling values and redemptions from mining specialist funds which has sucked investment from the sector. In the current market, buyers are scarce and valuations are depressed, even for advanced projects.

Andiamo sees opportunities in these conditions, however. Modest but profitable projects like Yacob Dewar can still find backers, for example from companies which are prepared to pay for assured metals supplies or which want to diversify into new jurisdictions.

Moreover, other juniors' inability to raise capital means less competition and creates possibilities for Andiamo to acquire distressed assets, if it can take advantage of its strong technical team and operational presence in Eritrea to find sources of financing which do not unduly dilute existing shareholders.

What are Andiamo's plans for 2015?

First, some background. Eritrea is a frontier exploration destination. By analogy with other parts of the Arabian-Nubian Shield and areas of similar geology worldwide, Eritrea has potential for both volcanic massive sulphide and vein type gold deposits: indeed the discovery of the Bisha VMS and the Zara vein gold deposits confirm this potential.

Very little modern geoscientific information is available, however, and much of the country's geology is poorly understood. While Andiamo has two of the world's most knowledgeable individuals on the geology and mineralisation of Eritrea in Dr Seife Berhe and Dr Tim Williams, the lack of pre-existing data meant that Andiamo had to conduct systematic exploration from scratch over its licence, including helicopter EM, ground gravity and soil geochemistry.

The basic surveys over the Haykota licence yielded around three dozen targets. Andiamo's systematic investigations of these, using detailed geochemistry, ground geophysics, geological mapping and drilling, so far identified six targets for detailed evaluation. Of these, the Yacob Dewar deposits are the most promising, and we have concentrated our efforts into advancing these towards production.

Our preliminary financial models indicate that a gold mine at Yacob Dewar could generate revenues of about \$2 million per month over a mine life of 4 to 7 years, with operating costs of \$500 to \$700 per ounce and a maximum capital requirement of \$10 to \$20 million. Other nearby deposits will be likely to increase the mine life or throughput. The models also indicate that the oxide copper at Yacob Dewar will be a viable project.

It is our intention that some of the revenue from the gold at Yacob Dewar would be returned to shareholders through dividends; some would be used to develop the copper project, and some would be re-invested in further exploration.

In the meantime, the farm-in deals with EEA (and hopefully other strategic alliances now under negotiation) will finance our exploration at Haykota and in new project areas, leveraging our intellectual property and exploration capabilities in Eritrea.

We recognise that moving from exploration to development will require different skills and experience and we are planning management changes to take account of this.

To sum up, I think Andiamo has done very well in extremely challenging market conditions. We have made excellent progress at Yacob Dewar and have signed deals to finance continuing exploration elsewhere, largely without diluting existing shareholders.

I look forward to the further development of our strategy through 2015 and I'm sure that I will have more good news for you in a year's time, if not sooner.



Yours sincerely,

Mark Parker

Chairman

Andiamo Exploration Limited

About Andiamo Exploration Ltd

Andiamo Exploration Ltd is a private mineral exploration and development company focused on the acquisition, exploration, discovery and development of base and precious metal projects on the Haykota Licence Eritrea.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares in the United States or to, or for the account or benefit of, any U.S. person. The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person unless an exemption from such registration requirements is available. "United States" and "U.S. person" are as defined in Regulation S under the U.S. Securities Act.

Contacts

Dr Tim Williams

Tel.: +44 (0)20 7600 1888

tim@andiamoexploration.com