



Andiamo Exploration Limited
Incorporated in England and Wales
(Registration number 6515287)
("Andiamo", "AXL" or the "Company")
www.andiamoexploration.com

UPDATE TO SHAREHOLDERS: JUNE 2020

Eritrea:

mining-friendly jurisdiction with excellent gold and base metal potential.

Andiamo:

advancing Yacob Dewar to feasibility

- New management team committed to progressing the Company.
- Yacob Dewar Gold Project conceptual financial model gives IRR of 85% for capital cost of ~\$17M.
- Excellent portfolio of gold and base metal exploration projects in country.
- Unequalled geological knowledge and local expertise in Eritrea and surrounding Nubian Shield.

CORPORATE

Since the Annual General Meeting of shareholders held on the 9th of January 2020, Andiamo has undergone a corporate restructuring and realignment.

A new, up to date Company website has been released and is now available at www.andiamoexploration.com. Please sign up on the contacts page if you wish to receive news and alerts.

The co-founder and former Director and Chief Executive Officer, Dr Tim Williams, has retired from the Company and his role as Director and Chief Executive Officer has been assumed by Theo Botoulas, a South African Mining Engineer with experience in constructing, developing and managing medium sized mining operations in African countries including South Africa. William Fisher and Anthony Balme have retired from the Board of the Company and have been replaced by Rudolph de Bruin, David Paxton and Ashley Turk.

EmeraldEx BV, part of Luxembourg-based African Mineral Exploration and Development (AMED) Funds (www.amedfunds.com), has become the largest shareholder in the Company with a holding of 47%.

FINANCIAL

During the latter half of 2019, the Company raised US\$0.5M (five hundred thousand United States Dollars) in new capital through an Open Offer to shareholders in order to retire liabilities and to progress the Feasibility Study on the Yacob Dewar Gold Deposit.

The Company has filed its unaudited Annual Financial Statements for 2018/2019 (up to March 2019) with the United Kingdom regulators, prepared in accordance with the provisions of section 477 of the Companies Act 2006 applicable to small companies. The Board of Directors resolved to revert the reporting period of the Company to a 31 December year-end to bring the accounts back into line with the requirements in Eritrea. The accounts for the period April 2019 to December 2019 are being drafted and will be filed soon. All published accounts are available through the website.

BUSINESS ENVIRONMENT

With the renewed positive outlook for gold, improved relations between Eritrea and Ethiopia and the lifting of international sanctions against Eritrea, Andiamo's management is formulating a revised business case and strategy. As sentiment towards the resources sector improves worldwide, junior explorers and developers will have a vital role to play in the development of new mines, not

least in the highly prospective Arabian-Nubian shield. Andiamo is planning to raise new capital to finance its operations in Eritrea and elsewhere in the Shield.

The revised business strategy is to develop the activities of the Company in the Arabian-Nubian Shield to become a mid-tier, East African focussed explorer, developer and producer of gold, copper and zinc concentrates and physical metals. The immediate focus of the Company management will be to:

- *Develop a mining operation at Yacob Dewar with a conceptual metallurgical plant capacity of 30 tonnes per hour, to be confirmed by additional engineering work in line with the revised business plan;*
- *Conduct both greenfields and brownfields exploration for gold, copper and zinc on the Company's licences in Eritrea in a systematic manner, with the exploration for additional resources in close proximity to the Yacob Dewar deposit;*
- *Prove up additional resources in Eritrea in order to develop additional mining operations;*
- *Acquire additional projects on the Arabian-Nubian Shield;*
- *Produce polymetallic gold, silver and zinc concentrates or physical metals on additional sites on the Arabian-Nubian Shield in the future;*
- *Raise working capital for:*
 - *Development of a gold mining operation at Yacob Dewar.*
 - *Exploration of targets in the Haykota licence and acquisition of a portfolio of other exploration licences in Eritrea.*

Challenges faced by the Company in recent years to administer bank accounts and transfer funds are now greatly reduced as a consequence of the lifting of UN sanctions on Eritrea. The Government of Eritrea has taken further active steps to ameliorate the previously challenging situation by promulgating and issuing a "Proclamation on Money Laundering and Financing of Terrorism" as well as issuing Directive No. 112018, the "Directive Issued to Determine the Composition, Organization, Operation and Resources of the Financial Intelligence Unit", actions which have had a positive effect on the ability of the Company and other business entities to effectively operate in Eritrea.

ACTIVITIES OF THE COMPANY IN THE SHORT TERM

The principal objective of the current work program is to complete the appropriate technical work and business plan for developing a gold mine on the oxide cap of the Yacob Dewar-Ber Gebey Volcanogenic Massive Sulphide ("VMS") system.

The second objective is to conduct follow-up evaluation and development of other economic mineral deposit targets identified from previous work; specifically the VMS targets in the environs of Mount Hoba, Frataka, Okreb, and in the Mew extension area, and shear-hosted (orogenic) and intrusion-related gold deposits such as Shambotai.

Metallurgical testwork by specialist laboratories in South Africa is scheduled on 500kg of ore samples representing the principal geometallurgical units of the Yacob Dewar orebody. The objective of the testwork is to finalize the process flow diagrams and optimize the design engineering and capital costing of a gold plant for Yacob Dewar. This metallurgical testwork will be run in parallel with geological and mine design work being done by Minxcon, a South African entity providing a bouquet of technical services (www.minxcon.co.za), to develop a mine design and extraction plan for Yacob Dewar.

The environmental and community baseline studies for Yacob Dewar are largely complete and will be filed as the strategy unfolds in the coming months. An Environmental Management Plan will be completed once the Yacob Dewar design engineering is complete.

Numerous other targets in the Haykota licence were identified by Andiamo's previous systematic exploration programmes, which represent an investment of some US\$15M by the Company in remote sensing analysis; airborne and ground geophysical surveys; geochemical sampling; geological mapping; and reverse circulation and diamond core drilling. The Intellectual Property of the Company in this respect is significant. A strategy and plan to advance these targets is being formulated and optimized by management and is expected to identify further extractable satellite resources within a 50km radius of the Yacob Dewar metallurgical plant site.

YACOB DEWAR

Deep weathering of VMS deposits in the Arabian-Nubian shield often create oxidised surface zones highly enriched in gold, as at Hassai and Bisha. The Yacob Dewar oxide gold deposit holds a JORC Indicated Resource of 80,000 ounces of gold at 2.8g/t, which lies in the top 40m of a sequence of weathered

volcanic rocks. Metallurgical tests have indicated that the gold can be efficiently extracted by cyanide leaching with better than 90% recovery.

The advantages of the project (shallow depth, low strip ratio, relatively high grade, simple metallurgy and location within 2km of a sealed trunk road) mean that it is likely to yield an acceptable economic return despite its modest size. Future upside potential is offered by the as yet un-drilled and unexplored underlying VMS mineralization, high-grade copper mineralization and known (though not yet fully drilled) satellite gold deposits within the licence area.

Andiamo has completed a resource evaluation programme at Yacob Dewar based on 111 drill holes for a total of 11,801m (62 diamond holes and 58 reverse circulation holes) and 36 trenches with a total length of 2,402m.

A formal resource estimation was prepared in accordance with the requirements of the 2012 JORC Code (within a pit shell determined from Datamine NPV Scheduler) by Denny Jones Pty Ltd, a specialised Australia-based resource consultancy.

JORC Category	Cutoff	Tonnes ('000)	Gold g/t	Silver g/t	Contained ounces	
					Gold	Silver
Indicated	0.3g/t	880	2.82	21.0	80,000	590,000
Inferred	0.3g/t	60	2.37	26.7	4,500	50,000

The Yacob Dewar area also includes an incompletely defined oxide copper resource containing 5,200 tonnes Indicated and 16,700 tonnes Inferred copper which is physically separated from the gold resource. The underlying primary VMS mineralization has not yet been fully evaluated and could significantly improve the economic returns of the Project.

Bench-scale metallurgical tests previously undertaken by Mintek of South Africa indicated that 93% of the gold is recoverable by carbon in leach (CIL) processing, although the gold is not amenable to gravity or flotation processing. Mineralogical tests have indicated that the gold occurs as very fine (<8µm) grains of electrum (~85%) and native gold (~16%) which are almost all fully or partially liberated. Additional metallurgical tests on larger bulk samples are now being conducted to test the proposed processing flow-sheet.

To date, resource geology (leading to the JORC Indicated Resource), preliminary metallurgical testwork and most of the environmental baseline studies have been completed. The next steps are pilot-scale testing of the proposed processing flowsheet, followed by design engineering and financial

modelling, all at an estimated cost of US\$300,000. With these completed, the full environmental impact study can be undertaken, a formal technical and economic study completed, and a mining licence application submitted, at an estimated cost of US\$700,000.

Preliminary conceptual economic modelling by Andiamo shows that the project is likely to have an acceptable return for shareholders, despite its relatively small size.

Assumptions:	
• Recoverable gold:	3,750kg (120,000oz)
• Gold price (2021-27):	\$54 per gram
• Recoverable gold value:	\$200 million approximately
• Capital cost:	\$17M including working capital
• Mine life:	~6 years
Results (preliminary):	
• Gross profit:	\$72M
• NPV10	\$48M
• IRR (project)	85%

The preliminary conceptual economic modelling work completed provides sufficient confidence to management to recommend proceeding with further technical work including but not limited to flow-sheet optimization, design engineering, mine design work and a financial modelling exercise. The diagram below indicates the provisional flowsheet for the proposed CIL plant at Jacob Dewar, and the graphic shows the conceptual plant layout, both schematics as provided by Appropriate Processing Technologies (www.aptprocessing.com), a South African based metallurgical design house which designs, fabricates, constructs and provides training for the operation of metallurgical plants throughout Africa.

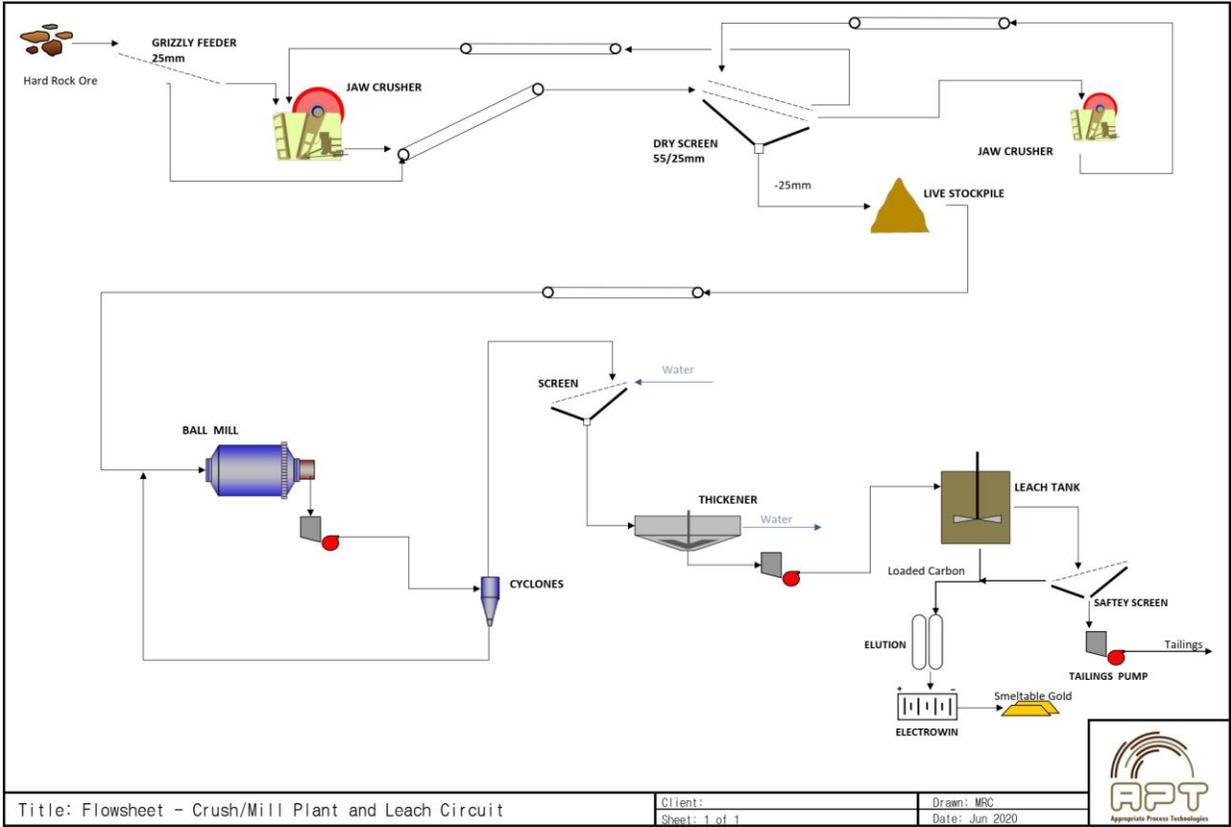


FIG 1: CONCEPTUAL PROCESS FLOW DIAGRAM FOR YACOB DEWAR

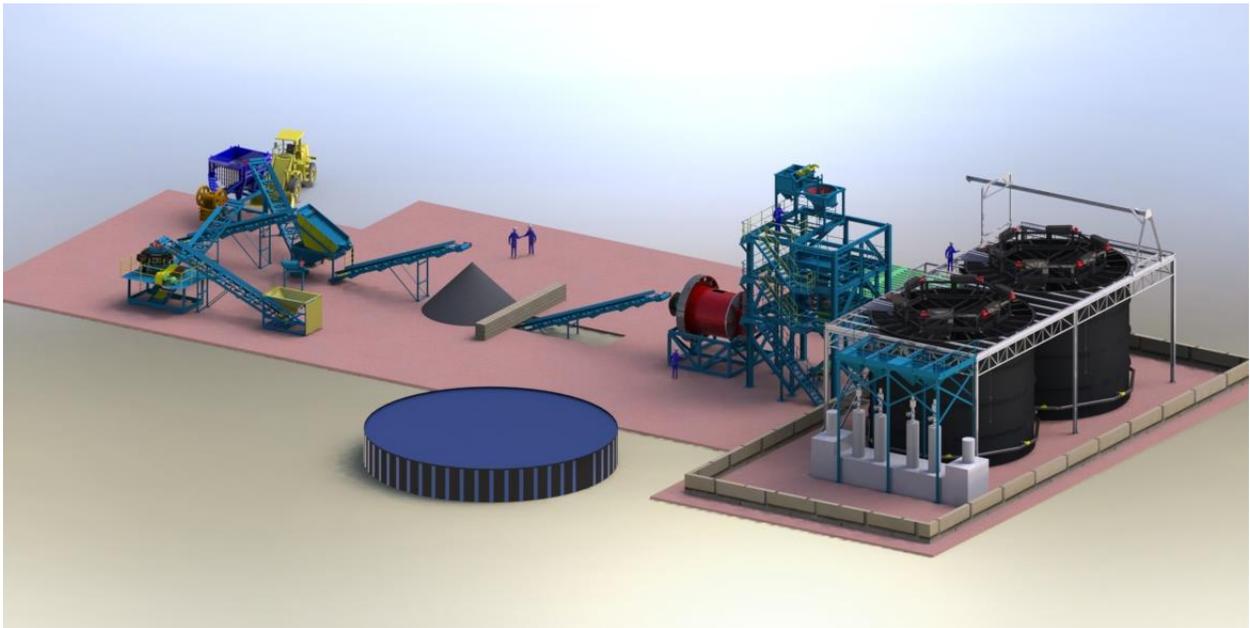


FIG 2. CONCEPTUAL 30 TPH PLANT FOR YACOB DEWAR

The area in which the Yacob Dewar deposit is situated holds the potential for additional resources near the proposed plant and infrastructure. The drilling programme conducted to date has defined the main Yacob Dewar oxide gold resource, but upside possibilities of blind, faulted or en-echelon extensions remain open for further work. The Ber Gebey mineralization, 3km north of Yacob Dewar remains to be fully tested by a programme of shallow RAB or Air Core drilling, which is planned during the Phase 1 brownfields exploration of the Yacob Dewar site.

Further investigation of the oxide copper mineralization at Yacob Dewar to increase the resource and to test alternative processing options is also planned during the Phase 1 programme. Few of the previous drill holes at Yacob Dewar intersected the underlying sulphide ore which appears to be relatively thin but of an acceptable grade, and additional deep holes are planned in order to improve the Company understanding of its economic potential and value.

Andiamo also intends to explore for additional gold deposits in the Haykota licence area in order to identify additional deposits within a 50km radius of Yacob Dewar which could supplement the resource.

EXPLORATION TARGETS SOUTH OF YACOB DEWAR

Several targets exist south of Yacob Dewar on which geological mapping, geochemistry, geophysics and scout drill testing work have been carried out and on which further work is merited. A re-interpretation of geophysics data may yield additional targets.

Limited drilling and technical analysis may have previously yielded inconclusive results on these targets and further rock geochemistry, ground magnetic survey and shallow RAB, air core drill-holes and trenching have the potential to yield a more conclusive result.

These targets include Frataka, the Shambotai / Jawkerai / Gurgur gold trend (where the source of alluvial gold at Shambotai appears to be quartz veining in the carbonate and dioritic rocks), the Okreb gossan and other targets identified from VTEM, and the Mew southern extension, previously part of a permit held by the now-defunct company Eri-Lib. Andiamo has access to the extensive Eri-Lib database and has conducted its own reconnaissance mapping of the area. Potential for further exploration for VMS, copper-gold and shear hosted gold mineralization exists over the known mineralized zones in the Mew licence area.

EXPLORATION TARGETS NORTH OF YACOB DEWAR

Further geological mapping, soil and rock geochemistry, shallow drilling and geophysics are planned to follow up the Adi Merirey disseminated sulphide copper mineralization and the Hoba area massive sulphides, where future work will concentrate on determining whether the exhalative centre which generated these deposits lies within the licence area, and whether the deposits are at a commercially mineable depth.

CURRENT ACTIVITIES AND THE EFFECTS OF COVID-19 LOCKDOWNS

The current economic outlook is a difficult one as a consequence of the worldwide coronavirus pandemic (COVID-19) and uncertainties as to the length of time the lockdown will extend into the future. The weak commodity markets worldwide as well as poor sentiment towards junior mining and exploration companies have had an added negative impact on the Company over the last 24 months.

During this time of uncertainty, the Company and its exploration projects are being managed on a care and maintenance basis in line with the regulations promulgated by those countries in which we operate, with minimum staff and fieldwork until the COVID-19 pandemic has ameliorated and the prospects for global commodity prices and junior mining and exploration companies improve. Management confirms that fieldwork is suspended and as a consequence, there is no operational risk of exposure to COVID-19 for Company staff or consultants. Company activities are at present limited to work which our staff and suppliers can do from home, in the office or in the laboratory.

OUTLOOK

Whilst we expect market and operating conditions in the coming year to remain extremely challenging as sentiment and policies change and the negative economic impact of the COVID-19 pandemic and lockdowns are realized, the management of Andiamo remain confident that we will be able to deliver on the renewal strategy initiated in February 2020 for the benefit of all stakeholders in the Company.

Additional details can be found on the Company website:

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