



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

UPDATE TO SHAREHOLDERS: JANUARY 2021

Since our last update to Shareholders in June 2020, good progress on the rejuvenation of the Company has been made. Recent highlights include:

- Application for a second exploration licence in a highly prospective area in Eritrea
- NI43-101 compliant Competent Person's Report nearing completion
- Metallurgical testwork well advanced
- Progress towards a public listing during 2021

See our web site www.andiamoexploration.com for additional information, annual accounts and up-to-date presentations.

FINANCIAL

In September 2020, the Company raised US\$0.3M through an Open Offer to shareholders. Together with funds raised in late 2019, the capital is being applied to fund a Competent Persons Report compliant with Canadian NI 43-101 with a view to listing the Company during 2021, meet ongoing working capital requirements, and to retire liabilities.

The Company filed its Financial Statements at the end of October. The unaudited accounts covered the 9-month period ending 31 Dec 2019 and were abbreviated as allowed under section 477 of the UK Companies Act 2006.

Andiamo's management accounts for the year ending December 2020 are complete and the statutory accounts are being prepared.

Following the Open Offer, the principal shareholders are EmeraldEx BV, part of Luxembourg-based African Mineral Exploration and Development (AMED) Funds (www.amedfunds.com), which holds 43% and remains the largest shareholder, and Zedra Trust Company, trustee for a private fund, with 15.9%

Challenges in banking and transferring funds to Asmara, which the Company has faced in recent years, have been reduced as a consequence of the lifting of UN sanctions on Eritrea, availability of fin-tech services, and creation of a subsidiary management company to Andiamo domiciled in Mauritius.

BUSINESS ENVIRONMENT

The coronavirus pandemic has made for challenging operating conditions in Africa in general, and Eritrea in particular. Many governments, including the Government of Eritrea, have implemented lockdowns and closed their borders to travellers, making active operations on the ground difficult or impossible. Throughout the pandemic, Andiamo's exploration projects have been managed largely on a care and maintenance basis, with only minimum fieldwork. It is uncertain how long these restrictions will persist.

The negative effect of the pandemic have been offset by stronger commodity markets, especially gold and more recently copper and other metals, commodities which comprise the exploration target of your Company. Commentators such as Goldman Sachs believe that the global economy could be on the brink of a new commodity "super-cycle" as decarbonisation becomes the strategic policy of governments worldwide, and a green "industrial revolution", to kick-start growth following the coronavirus pandemic, the new mantra. Certainly, market sentiment towards junior mining and exploration companies has greatly improved.

Exploration and mining Companies active on the Arabian-Nubian Shield have seen a marked increase in valuations- the value of companies operating in Sudan have more than doubled over the past year and an exploration company active in Eritrea, with positive drill results but no mineral resource has placed an implied valuation of US\$40M on itself for purposes of a potential listing in 2021.

The positive impact of improved relations between Eritrea and Ethiopia and the lifting of international sanctions against Eritrea remains intact, despite the outbreak of internal conflict in northern Ethiopia during the second half of 2020.

ACTIVITIES

Management continues to advance its revised business strategy of developing the activities of the Company on the Arabian-Nubian Shield with the objective of becoming a mid-tier, East African focussed explorer, developer and producer of gold, copper, silver and zinc concentrates and physical metals.

The Company intends to pursue a public listing during 2021, raising new capital to finance the development of Andiamo's assets in Eritrea, further develop the business potential of the Company, and to provide a trading platform for shareholders.

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 in Eritrea and elsewhere on the highly prospective Arabian-Nubian shield.

While fieldwork is restricted by the pandemic, the Company is actively re-evaluating all the historic data at its disposal. We have commissioned independent South African exploration and mining consultancy group Minxcon to collate and review all the available data and to provide an independent review of the Company assets. This review will help guide future operations and will become a full NI 43-101 compliant competent person's report, once Minxcon has been able to conduct site visits.

Minxcon is making good progress and the data review is nearing completion. Drilling, geochemical, geophysical and geological datasets have been collated and visualized in software to investigate geological trends and targets for further exploration drilling. Key objectives are to increase the current Yacob Dewar Mineral Resource and to maximize project returns from the Yacob Dewar gold and copper ore. Minxcon expect to complete the report by the end of January 2021.

In addition, mineral processing specialist Consulmet has conducted additional metallurgical testwork on drill samples from Yacob Dewar which is being used to optimize plant design and maximise metal recoveries.

Andiamo has also submitted an application for a new licence area in Eritrea. The area is known to be very prospective, with past rock sampling yielding up to 200g/t gold. The company's interpretation of images from the ESA Sentinel-2 satellite showed several areas of probable hydrothermal alteration, likely to be associated with vein gold or VMS styles of mineralization.

Andiamo's key operational tasks during 2021 will be:

- Complete the Competent Persons Report to NI 43-101 standards for the Company's assets in Eritrea.
- Identify and drill test gold resources (including Ber Gebay and the Shambotai / Gugur system) in proximity to the Yacob Dewar project to provide additional feed to the plant.
- Evaluate additional targets within the Haykota licence.
- Complete environmental and social reporting and apply for a mining licence at Yacob Dewar.
- Complete the metallurgical testing, design engineering and financial modelling of the Yacob Dewar gold project.
- Identify targets for drilling in the new licence using high-resolution satellite image analysis and advanced multi-element geochemical mapping with portable XRF analysers, followed by geophysics and trenching.
- Acquire additional projects in Eritrea and elsewhere on the Arabian- Nubian Shield
- Prepare to list the Company on a Public Exchange

OUTLOOK

Whilst we expect operating conditions in the coming year to remain extremely challenging as a consequence of the COVID-19 pandemic, the management of Andiamo are 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 as a consequence of the improved sentiment in precious and base metals as well as the improved sentiment towards junior mining and exploration.

Additional information on Andiamo can be found on the Company website www.andiamoexploration.com

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