



Andiamo Exploration Limited
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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 Open Offer documents you should seek independent professional advice.

10 August 2020

Offer to Andiamo Exploration Ltd shareholders (“Shareholders”) to subscribe for up to 15,000,000 shares in aggregate at a subscription price of US\$ 0.02 per Share (the “Offer Shares”).

Dear Shareholder,

Andiamo Exploration Limited (“Andiamo” or “the Company”) is pleased to offer Shareholders the opportunity to subscribe for new shares.

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 Offer Shares at a subscription price of US\$ 0.02 per Offer Share.

Shareholders are invited to subscribe for 1 Offer Share for every 10 shares currently held. These shares shall be allocated as subscribed.

Shareholders are also invited to apply for additional Offer Shares, above their allocation (the “Additional Shares”). The Directors have reserved the right to exercise complete discretion in the acceptance and allocation of Additional Shares to ensure that the final number of shares issued does not exceed 15,000,000. In particular, in the event that any Shareholder applies for a large number of Additional Shares compared with other applicants, that Shareholder’s application may be scaled back so as to allow the smaller applicants to participate.

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

In the event that the Offer is not fully subscribed after the allocation of the Offer Shares and the Additional Shares, new shareholders may be invited to subscribe for Offer Shares.

Capital Structure

As of the date of this offer the issued share capital of the Company is 105,903,971 ordinary shares.

On completion of this offer the anticipated issued share capital of the Company will be 120,903,971 ordinary shares.

Dates

Offer Date. 10 August 2020

Closing Date. All applications must be received by close of business GMT, Friday 21 August 2020.

Additional Shares. Shareholders will be notified of their allocation of Additional Shares applied for by close of business, GMT, Tuesday 25 August 2020.

Payment. All payments must be received by close of business, GMT, Friday 28 August 2020. Late payments will not be accepted.

Please note: Shareholders are responsible for payment of bank fees. Shares will only be issued for the amount actually received by the Company.

Additional Capital Raise

This Open Offer is envisaged as a preliminary financing with a view to a larger secondary financing before 2020 year end. The directors anticipate a further capital raising by way of Private Placement to finance the exploration and drilling programme. Shareholders who have subscribed in this Open Offer will also be invited to take part in the anticipated Private Placement.

Andiamo Exploration Ltd

Investment Highlights

New management team

The role of Chief Executive Officer has been assumed by Theo Botoulas, a South African Mining Engineer with experience in constructing, developing and managing mining operations in African countries. With other board changes, the Company is now well-placed to advance the construction of a gold mine at Yacob Dewar, and to progress exploration within and beyond its Haykota licence.

Yacob Dewar Gold Deposit

The high-grade oxide gold cap of the Yacob Dewar VMS deposit has a JORC-compliant Indicated Mineral Resource of 85,000oz of gold. Conceptual economic modelling by Andiamo shows that the project is likely to provide an excellent return on investment and work is underway to optimise the ore processing flowsheet. This will be followed by design engineering and business planning.

Haykota Licence

Eritrea lies in the prolific Arabian-Nubian Shield, a geological region hosting many volcanogenic massive sulphide (VMS) and orogenic gold deposits. A chain of VMS deposits in Eritrea extends through Andiamo's Haykota licence, which contains 60km strike length of the favourable horizon. Andiamo's systematic exploration has identified 40 targets, of which maybe 10 are likely to reward further work, including those in the Mew area of the new southern licence extension, and orogenic gold mineralisation around Shambotai, which is the source of several areas of alluvial artisanal workings.

New Opportunities

In addition to the opportunities at Haykota, Dr Seife Berhe has identified two highly prospective targets elsewhere in Eritrea, based on the results of companies which were unable to sustain their permits through the exploration downturn. One is an orogenic gold target with close similarities to the >1Moz Zara deposit and the other appears to be a VMS which is likely to have a high-grade oxide gold cap. Relatively little surface work is required before the targets can be drill tested. If adequately funded, Andiamo could acquire title over these areas.

Background

Andiamo Exploration Limited was incorporated in 2008 to undertake exploration for and development of volcanogenic massive sulphide (VMS) and orogenic gold deposits in Eritrea. The company has systematically explored a large licence which lies along strike with and 50km south of the Bisha Mine.

Eritrea lies in the Arabian-Nubian Shield which hosts many important Neoproterozoic VMS and early Phanerozoic orogenic gold deposits. VMS deposits include Bisha (Eritrea), Hassai (Sudan), Jabal Sayid (Saudi Arabia) and Hamama (Egypt). Gold deposits include Sukari (Egypt) and Zara (Eritrea).

Geophysical, geochemical, geological and remote sensing surveys over the original 750km² licence area led to the identification of about 40 targets, which were followed up by ground geophysical methods, detailed geological and geochemical surveys and drilling. In 2016, the company was granted a southward extension of 90km² containing a further 30 targets which had been identified but not followed up by previous licence holders.

The recession in exploration between 2013 and 2016 led to the departure from Eritrea of almost all junior exploration companies, but Andiamo continued to operate and was able to conduct several drilling programmes, including resource drilling of the gold-enriched oxide cap of the Yacob Dewar VMS deposit.

The appointment of a new CEO and other board changes place Andiamo well to advance the construction of a gold mine at Yacob Dewar and to progress exploration within and beyond its Haykota licence.

Strategy

With the current buoyant outlook for gold and the improved investment outlook in Eritrea, Andiamo's management has formulated a clear business strategy. Our objective is to become a mid-tier, East African focussed explorer, developer and producer of gold, copper and zinc, specialising in the Arabian-Nubian Shield and Eritrea in particular.

The key steps will be:

- Optimise the processing flowchart for Yacob Dewar gold ores and design the mine and plant (now underway)
- Prepare feasibility study and obtain a mining licence
- Evaluate additional gold resources close to Yacob Dewar
- Build and operate the mine
- Explore systematically for gold, copper and zinc on the Haykota licence
- Acquire and develop new projects in the Arabian-Nubian Shield, especially Eritrea

Use of proceeds of Open Offer

The proceeds of the Open Offer to shareholders will be used to fund restructuring and for working capital in planning and preparation for implementation of drilling programmes on multiple, identified drill-ready targets.

Board and Management

CEO Theo Botoulas is a mining engineer with 35 years' experience in mining operations, asset management and finance and currently serves as CEO of JSE Listed Union Atlantic Minerals Limited. **Dr Seife Berhe** is a respected and influential Eritrean geologist with a PhD in remote sensing from the UK Open University. Chairman **Mark Parker** is a mineral exploration entrepreneur and geophysicist with more than 40 years' experience. **Johan Ingwerson** is CEO of NurtureEX B.V., an incubator sub-fund of African Mining and Exploration Development (AMED) and Andiamo's principal shareholder. **Rudolph de Bruin** is a founding partner of AMED Funds, a private equity firm focusing on developing Tier 1 mineral projects in Africa. **Dave Paxton** is a mining engineer with nearly 40 years' experience in capital markets and mining operations and currently serves as CEO of Kalahari Copper. **Ashley Turk** represents NurtureEx BV and is a highly experienced administrator.

Eritrea

The last two years have seen developments with major implications for Eritrea and its mining industry. In mid-2018 the ruling coalition of Ethiopia, headed by new Prime Minister Abiy Ahmed, agreed to implement fully the peace treaty signed with Eritrea in 2000. This led to reopening of the border between the countries, reinstatement of flights between Addis Ababa and Asmara, and lifting of UN sanctions against Eritrea. There has been a rush of investment interest in Eritrea, including the mining sector.

Two mines are currently operating in Eritrea: **Bisha Mine**, 60 percent owned by Nevsun Resources Ltd, which is now producing zinc concentrate but has a number of new discoveries with gold and copper resources, and the **Zara Gold Mine**, 60 percent owned by Shanghai Sfecco Group of China. Mining projects under development include the **Asmara VMS Project**, which is expected to produce an estimated 381,000t of copper, 850,000t of zinc, 436,000oz of gold and 11 million ounces of silver over 17 years. A fourth project, the huge **Colluli Potash Mine**, received its development approval in June 2020 and construction is expected to start soon.

Investor interest in Eritrea is demonstrated by the successful listing of Danakali Limited, the majority owner and operator of the Colluli potash development, on the London Stock Exchange in July 2018. A hostile bid by Lundin Mining Corp for Nevsun Resources, majority owner of the Bisha Mine, was trumped by an agreed offer of \$1.41bn (C\$6/share) by Zijin Mining Group. The Asmara VMS project was bought for \$65 million by Sichuan Road & Bridge Mining Investment Development Corp from Sunridge Gold Corp.

Eritrean Mining Law

Andiamo's exploration agreement with the State of Eritrea over the Yacob Dewar deposit and surrounding areas allows the company to conduct exploration and feasibility work, to import all necessary goods, services and funds and to conduct bulk sampling and trial processing.

On completion of a feasibility study, Andiamo can apply for a Mining Licence. It must offer the State of Eritrea a 10% free carried interest and an additional equity participation of up to 30% in the Share Mining Company established to undertake the mining operation. If the State exercises its right to the additional 30%, then it will pay a fair market price based on the economic modelling in the feasibility study, (subject to an independent consultant's review) and will contribute one third of the development and capital costs.

Corporate income tax for mining companies is 38% but capital allowances, including the costs of exploration, can be set against tax. Andiamo currently has a tax loss of about US\$ 12M from past exploration.

There are withholding taxes of 10% on management and service fees, 10% on interest payments and 5% on royalties paid offshore by a mining company, but none on dividends or branch profits repatriated.

Customs duty on import of equipment and consumables for mining, including capital items, fuel and food is 0.5%. There is a transfer tax of 4% on the value of any transfer of property, including a mineral title, and stamp duty of 1% of value on property pledged as security for loans.

Yacob Dewar Gold Deposit

Andiamo has discovered and evaluated a significant gold deposit forming an oxidised surface zone highly enriched in gold derived from an underlying VMS deposit, as seen 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 indicate that the gold can be efficiently extracted by cyanide leaching with better than 90% recovery. The project's advantages (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 be very profitable despite its modest size. Future upside is offered by the as yet un-drilled underlying VMS mineralisation, high-grade copper mineralisation and known (though not yet fully drilled) satellite gold deposits within the licence area.

Resource

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 2,402 m. Denny Jones Pty Ltd estimated the following Mineral Resource, fully compliant with JORC (2012), lying within a pit shell determined from Datamine NPV Scheduler:

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 area also includes an incompletely defined oxide copper resource, physically separated from the gold, of 5,200 tonnes Indicated and 16,700 tonnes Inferred metal in the ground.

Bench-scale metallurgical tests undertaken by Mintek of South Africa indicated that about 93% of the gold is recoverable by carbon in leach (CIL). Mineralogical tests showed that the gold occurs as very fine (<8µm) grains of electrum (~85%) and native gold (~16%) which are fully or partially liberated. Metallurgical tests on larger bulk samples are now being conducted to optimise the proposed processing flow-sheet.

Design Engineering and Environmental Impact Studies

Resource geology (leading to a JORC Indicated Resource), preliminary metallurgical testwork and most of the environmental baseline studies have been completed. Pilot-scale testing of the proposed processing flowsheet is now underway and will be followed by design engineering and financial modelling. With the results, a full environmental impact study can be undertaken, a formal technical and economic study completed and a mining licence application lodged.

Conceptual economics

New conceptual economic modelling by Andiamo shows that the project is likely to be very profitable, despite its relatively small size.

Assumptions:	
• Recoverable gold:	3,750kg (120,000oz, 50% resource increase)
• 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%

If the Eritrean government exercises its right to acquire a 40% interest in the mine, then it will cover a significant part of the costs, leaving Andiamo to raise the balance. This amount could be raised either as equity, a construction loan or through a production-sharing deal.

Yacob Dewar exploration upside

The drilling programme to date has fully defined the main YD oxide gold resource. However, there are definite possibilities of blind, faulted or en echelon extensions, to be tested by a programme of shallow RAB or Air Core drilling. The nearby Ber Gebey mineralisation, 3km north of YD will also be fully evaluated.

A few of the Yacob Dewar drill holes were extended through the oxide cap to intersect the underlying sulphide, which appears to be relatively thin but good grade. A few additional deep holes would improve understanding of its potential value.

Further investigation of the oxide copper mineralisation at Yacob Dewar to increase the resource and to test alternative processing options, could be funded from revenue from the gold operation.

Exploration targets south of Yacob Dewar

Yacob Dewar to Frataka

There are several targets south of Yacob Dewar which have been prospected by geochemistry and geophysics. Limited drilling to date yielded inconclusive results and fences of shallow RAB or Air Core drillholes would test these targets better.

Frataka

The Frataka gossan and geophysical anomaly was scout drill-tested. The results were inconclusive but excavations for the drill road intersected mineralisation. Further drilling and perhaps trenching is required, following geological mapping and a reinterpretation of the geophysics.

Shambotai / Jawkerai / Gurqur gold trend

The source of the alluvial gold at Shambotai appears to be quartz veining in the carbonate and dioritic rocks. Remote sensing images show extensive alteration. Limited drilling targeting artisanal workings on the ridge above Shambotai to the south of this alteration intersected wide but low-grade gold mineralisation. Geological and structural mapping and rock geochemistry will be conducted to obtain a geological understanding of the Shambotai area and the gold trend as a whole

prior to additional drilling. A ground magnetic survey at Shambotai, initiated over two years ago but had stopped due to financial constraints, will be completed.

Okreb Gossan

A number of other targets have been identified in the southern part of the licence which should also be followed up. In particular, there is an untested helicopter electromagnetic (VTEM) anomaly (Z17) over the Okreb Gossan, which forms a low hill near Shambotai and shows heavy metal toxicity to vegetation and a stream sediment gold anomaly.

Mew / Fanco Guluj

The licence extension of 91 km² south of Andiamo's existing Haykota licence was part of a permit held by the now-defunct company Eri-Lib, which ceased exploration when the Libyan government changed. Andiamo has access to the extensive Eri-Lib data and has conducted its own reconnaissance mapping of the area.

A review of the existing data will be followed by exploration for VMS, copper-gold and shear hosted gold mineralization, including soil and stream sediment geochemistry, with detailed geological work, trenching and geophysics over the known mineralized zones in Mew area.

Exploration targets north of Yacob Dewar

Adi Merirey

Drilling at Adi Merirey (AM) showed extensive disseminated sulphides including some copper mineralisation. Geological mapping with some soil and rock geochemistry will be conducted to obtain a better understanding of the geology around Adi Merirey and the alluvium-covered valley between it and Hoba. Shallow drilling or geophysics will be required in the valley.

Hoba area

The northern VTEM targets were all at or close to the boundary between the main volcanic sequence and the sediment-dominated sequence to the west. Andiamo's drilling has intersected massive sulphides at targets Z19 and Z20, which represents a new VMS discovery. Where intersected, the sulphides consisted mostly of pyrite, however, suggesting that the mineralisation is at some distance from the hydrothermal centre. VMS deposits are typically zoned, with the base and precious metals closest to the centre, grading outwards to pyrite. Future efforts will concentrate on determining the likelihood that the exhalative centre lies within the licence and at mineable depth.

Bisha Mining Share Company (BMSC) extended its exploration area to the boundary of the Haykota licence, close to VTEM target Z18. In a press release, BSMC stated that their aim is to extend their property in what they describe as "a Flin Flon type district with potential of finding additional deposits".

New opportunities

During the recession in exploration between 2013 and 2016, almost all junior exploration companies left Eritrea. Dr Berhe has access to the data from several of these companies and has identified two extremely prospective targets elsewhere in Eritrea. Both targets are highly prospective and drill-ready or nearly so.

One is an orogenic gold target with close similarities to the 1Moz Zara deposit. Lithochemical sampling revealed good grades over a substantial area, with some grades in excess of 100g/t.

The other target appears to be a VMS which is likely to have an oxide gold cap.

Relatively little surface work is required before the targets can be drill tested. If adequately funded, Andiamo could easily acquire title over these areas.

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 Offer Shares, 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. A detailed exposition of these risks is available on request from Andiamo's directors.

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 OPEN OFFER

- 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.