



## Shareholder Update December, 2024

### Dear Shareholder,

Over the past year, we have focused on two key priorities: financing and project development. While we've achieved substantial progress in advancing our projects, securing financing remains an ongoing challenge. This update has been delayed several times as we worked to secure funding via an IPO, hoping to deliver a significant announcement. Unfortunately, circumstances beyond our control have delayed this process.

Rather than delay further, I believe it's important to share the substantial progress we've made—and continue to make—in Eritrea including a very positive Preliminary Economic Assessment (“PEA”) for Yacob Dewar as we progress the gold resource towards production.

Before diving into the details, I encourage you to review our latest [presentation](#) and follow our [LinkedIn](#) profile for more frequent updates.

### Highlights

- Significant progress in project development, particularly at Yacob Dewar.

### Yacob Dewar Gold Project:

- Delivered a positive PEA, highlighting strong economics for oxide gold production. (NPV<sub>(10%)</sub>: \$33.0M (post-tax and state 10% free carry), IRR: 86%., AISC: \$1,111/oz, Capex:\$11.3M).
- Progressed resource modelling, preparatory work for the mining permit, and exploration partnerships.

### Partnerships:

- Signed seven NDAs with major and mid-tier groups, advancing discussions for potential funding and exploration agreements with major groups.

### Challenges:

- Financing challenges remain ongoing, delaying IPO efforts.

### Next Steps:

- Immediate priority: Secure mining license for Yacob Dewar.
- Plan to raise additional funding through an Open Offer to Shareholders.

## Strategic Partnership Discussions

Amid a challenging funding environment for grassroots exploration and a strengthening gold price, we have prioritised advancing the **Yacob Dewar gold oxides** into production. This year, we updated the resource, completed a PEA, and initiated the preparatory work required for submitting a mining permit application as we sort partners to fund our exploration efforts.

Through networking at events like the **Future Minerals Forum** and **Mining Indaba**, we signed **seven NDAs** earlier in the year with major and mid-tier groups, including Western-listed companies, Middle Eastern industrial groups, and private firms with production experience. Some of these discussions progressed to site visits and our goal was to find partners, ideally with funding, to advance the copper targets at Haykota or fund the development of the Yacob Dewar gold project.

While feedback confirmed that we have a well-mineralised copper rich system at Haykota, Western groups were hesitant to get involved. Barrick, which prefers to own its assets outright, was deterred by the State's potential ownership of up to 40%. BHP, viewing Eritrea as a new jurisdiction for them, requires deposits of 20–30Kt copper metal and therefore favours porphyry systems over the volcanic massive sulphide ("VMS") system we have. In contrast, Eastern groups have been far more receptive.

We have also been approached by several ASX listed companies looking for assets. Our discussions are ongoing, but there is a big disconnect between what these public companies value our assets and what our other potential partners do.

### VMS Copper

Earlier this year, we conducted a comprehensive review of our historical exploration data and hosted multiple site visits to better assess the potential of our mineralised VMS system. The findings confirm that while our targets may not match the scale of the Bisha deposit, we are identifying significant opportunities. Several of these targets are comparable to Asheli which is now entering production and is located just 11km north of our Z18 target and along the same exhalative trend. Additionally, our Hoba target, situated 20km south of Asheli, has already yielded promising drill results, including 7m at 1.87% Cu and 25m at 0.81% Cu. Currently, our portfolio includes over 40 identified VMS targets, including Hoba, which has an exploration target of 44–77Mt at 0.5%–0.8% Cu. However, the absence of sufficient funding has always limited our ability to undertake a comprehensive drilling campaign across these prospects.

This year, a key focus has been securing a strategic partner with the financial and technical capacity to help unlock the full potential of our copper targets. We are pleased to report that we are in active discussions with a major sovereign wealth fund and a state-owned producer regarding an exploration agreement and potential investment in our VMS copper assets. We are optimistic about the opportunities ahead and will keep shareholders updated as these discussions progress.



## Yacob Dewar - Oxide Gold

Given the weak funding environment for exploration and the strengthening gold price, we decided early in the year to focus on advancing the gold oxides at Yacob Dewar into production, potentially with a partner. In May, we signed a Letter of Intent (“LOI”) with the French Groupe Arethuse, a group we have known for some time, with the aim of forming a joint venture (“JV”). The initial proposal was for Arethuse to fund and develop the project, providing us with a free carried interest.



*Figure 1: Group Arethuse inspecting core at our Haykota Camp.*

Under the terms of the LOI, Arethuse was granted a six-month exclusivity period to negotiate the JV for developing the oxide gold. In July, we hosted a successful site visit with Arethuse, during which we visited Yacob Dewar and the surrounding area, reviewed existing infrastructure, and engaged with local communities. We also met with our auditors (Abraham Isaac & Co), our legal advisors (Kebreab Michael), and the Ministry of Mines.

Following their initial due diligence, Arethuse began preparing a PEA, incorporating updated cost estimates and a pit shell based on the latest block model. In November, we extended the LOI by three months in exchange for the PEA, supporting data, and a more flexible funding strategy to complete the mining license application.

## **Exploration and Development Progress**

### **Yacob Dewar – Oxide Gold**

#### **Updated Resource**

To support further funding efforts for our projects, we commissioned Minxcon to produce a Competent Person's Report (“CPR”). With a focus on near-term production at Yacob Dewar, we took this opportunity to re-model the orebody. Instead of treating it as a homogenous entity, we separately modelled the oxide, intermediate (sapolite), and sulphide ore. This approach enabled us to more accurately define pit shells around the oxide zone for Arethuse to use in their economic assessment.



By incorporating this updated approach and additional supporting data, the revised resource for the gold domain at Yacob Dewar now stands at 113.6Koz, or 102.2Koz after applying a 10% discount for geological losses, at an average grade of 2.8g/t.

*Mineral Resources for the gold domain at Yacob-Dewar as of 31 May 2024*

Category	Ore Type	Tonnes	Au	Ag	Tonnes Before Geo Loss	Tonnes Less Geo Loss	Au Content	Ag Content
		(tonne)	(g/t)	(g/t)	kt	kt	koz	koz
Indicated	Saprolite	209,405	1.99	21.01	209	188	12.08	127
	Oxide	725,338	3.10	18.70	725	653	65.16	392
	Sulphide	16,842	3.14	15.27	17	15	1.53	7
	<b>Sub-Total</b>	<b>951,585</b>	<b>2.86</b>	<b>19.15</b>	<b>952</b>	<b>856</b>	<b>78.77</b>	<b>527</b>
Inferred	Saprolite	208,060	2.40	19.69	208	187	14.43	119
	Oxide	104,982	2.89	28.69	105	94	8.78	87
	Sulphide	2,571	2.70	25.90	2.6	2.3	0.20	1.9
	<b>Sub-Total</b>	<b>315,613</b>	<b>2.56</b>	<b>22.74</b>	<b>316</b>	<b>284</b>	<b>23.42</b>	<b>208</b>

**Notes:-**

1. A Mineral Resource cut-off grade of 0.53 Au-equivalent was applied.
2. A gold price of USD2,075/oz was used for the cut-offs.
3. Geological losses of 10% and 15% have been applied to Indicated and Inferred Resources respectively.
4. Mineral Resources are reported as total Mineral Resources and are not attributed.

*Table 1: Updated Resource for Yacob Dewar.*

## Preliminary Economic Assessment

Arethuse used the block models from the CPR to develop economic pit shells for the PEA. The PEA focuses solely on mining the oxide gold at Yacob Dewar to a depth of ~50m, with processing via conventional carbon-in-leach ("CIL") technology. While there are minor adjustments still needed to fully align the Minxcon resource with the new pit shells, these are not expected to result in significant changes.

### Key highlights include:

- In-pit resource: **920Kt @ 2.99g/t for 88.4Koz of gold.**
- Annual production: **8.5Koz over a 7.5-year mine life.**

PEA Summary		
Total Ore mined	tonnes	920,000
Gold Grade (Average)	g/t	2.99
Contained Gold	ounces	88,440
Recovered Gold	ounces	71,601
Silver Grade (Average)	g/t	22.00
Contained Silver	ounces	650,730
Recovered Silver	ounces	478,937
Mine Life	years	7.5
Average annual gold production	ounces	8,512
Capex inc Contingency	USD M	11
Total Net Cash Cost	USD/oz Au	1,024

*Table 2: Yacob Dewar PEA- Key Inputs.*



### Current gold price economics:

- NPV<sub>(10%)</sub>: \$33.0M (post-State 10% free carry).
- IRR: 86%.
- AISC: \$1,111/oz.
- Capex: ~\$11.3M including 15% contingency.

Gold Price (US\$/oz)	100% Equity Basis		90% (State 10%)		AISC (US\$/oz)
	NPV(10%)	IRR	NPV(10%)	IRR	
2000	20,424	59%	17,449	53%	1,054
2250	27,113	73%	23,470	66%	1,076
2500	33,802	87%	29,490	79%	1,098
2647	37,736	95%	33,030	86%	1,111
2750	40,492	100%	35,510	91%	1,120
3000	47,181	114%	41,530	104%	1,142

Table 3: Yacob Dewar PEA- Valuation at a range of gold prices.

Given the low capital expenditure and high expected returns, we anticipate that financing—through a combination of debt and equity—will be significantly easier once the mining application is submitted.

### Additional Considerations

- Silver credits: Are included in the PEA.
- Oxide copper: Is not included in the assessment. Copper-rich material (0.8–3% copper, mainly malachite) will be stockpiled for separate evaluation, but could further improve the economics.
- Sulphate enrichment zone: There is potential not included in the PEA for the CIL to process some of the higher-grade upper transition zone, as seen at Ariab and Bisha.
- Sulphide zone: None of the sulphide material is included in the PEA, which remains open at depth but would require an alternative processing method.
- Near-mine upside: The 0.4–2Mt exploration target at Ber Gebey could significantly extend the mine life and improve economics.





*Figure 2: Group Arethuse examining the gossan at Yacob Dewar with Dr Seife Berhe.*

### **Next Steps: Mining Permit Application**

Our next step is to apply for a mining permit, ideally aligning this submission with the renewal of our current exploration license.

The key requirements to complete for the application include:

- Updating the environmental baseline studies, which is expected to take approximately six months.
- Designing the tailings storage facility.
- Conducting additional metallurgical test work to update the earlier Mintek studies, including silver analysis.

Due to the longer lead time required for environmental monitoring, Dr. Berhe has consulted with the Ministry of Mines, which has expressed willingness to grant a conditional mining permit pending completion of the environmental report.

Subject to securing the necessary financing, we aim to submit the application by early July, when our annual exploration license is due for renewal. A decision is anticipated within four months. Once approved, the mining permit will replace the annual renewal with a 20-year tenure, providing greater security for us and our potential partners.

### **Other Field work**

We have conducted limited fieldwork elsewhere to address gaps in our existing data. However, to conserve cash, we have deferred submitting samples to the lab at this stage.



*Figure 3: View of Mount Hoba from Ber Gebey.*

Additionally, we plan to conduct sampling to the east of Yacob Dewar, in the area proposed for the rock dump. This is necessary to sterilise the ground and confirm its suitability for this purpose. Preliminary findings have identified graphitic shale in this area, which could indicate a potential repetition of the orebody east of the current resource.

### **Saudi Expansion**

Following the Future Minerals Forum in January, we identified Saudi Arabia as a key region for expansion. The country's geology shares significant similarities with Eritrea, and our extensive experience in Eritrea positions us well to leverage our expertise in Saudi Arabia. There is a clear demand for mining and exploration technical knowledge in the region. Additionally, we have been impressed by the strong support offered by the Ministry of Industry and Mineral Resources.

We have successfully obtained our investment license for Saudi Arabia. However, there are still several administrative hurdles to overcome, including securing commercial registration, registering with the tax authorities, and opening a bank account. Simultaneously, we have been in discussions with several groups regarding potential partnerships.

We also submitted a bid for our first exploration license. While the Ministry of Industry and Mineral Resources confirmed that we had the strongest technical bid and work program, the bid was unsuccessful due to our current lack of funding. Nevertheless, the Ministry encouraged us to reapply in future licensing rounds, and we plan to do so once we have a stronger financial position.



## Marketing Activities

At the start of the year, we participated in two major events: the Future Minerals Forum in Riyadh in January and the Mining Indaba in Cape Town in February, where we once again showcased our projects at the Explorers Showcase booth.

*Future Minerals Forum, Riyadh, Saudi Arabia.*

The Future Minerals Forum (“FMF”) was an excellent start to the year, marked by enthusiasm, optimism, and significant investment initiatives. The scale of funding and interest in the mining sector at FMF was a stark contrast to the subdued atmosphere of Mines and Money in London just a month earlier.

Saudi Arabia is clearly opening up its minerals industry. While the country has substantial financial resources to invest, it lacks a strong legacy of junior exploration companies capable of field discoveries. This was a key insight we gained during the event. The Ministry of Mines demonstrated strong interest in our involvement, even inviting us to participate in a “speed dating” event where we connected with numerous local companies and family groups. Many were eager to explore partnerships but lacked the in-house technical expertise needed for successful exploration.

While we recognise the challenges of operating in the Kingdom, we left the forum highly optimistic. Support from the local Eritrean diaspora was particularly encouraging, as they expressed enthusiasm for an Eritrean company’s participation in Saudi Arabia’s mineral exploration sector.



*Figure 4: His Excellency Salih Omar Abdu with Dr Mark Heyhoe and Dr Seife Berhe at the Mining Indaba earlier this year.*

*Mining Indaba, Cape Town, South Africa*

Although the Mining Indaba did not match the energy of FMF, it was still a highly productive event for us. Our booth in the Explorers Showcase at the main hall of CTICC was a cost-effective and impactful way to connect with stakeholders.

During the event, we engaged with numerous corporates, potential shareholders, and suppliers interested in our projects. We also received strong support from the local





Eritrean community, including His Excellency Salih Omar Abdu, Dean of the Diplomatic Corps and Eritrean Ambassador to South Africa.

## **Additional Engagements**

Throughout the year, we participated in other key events, including:

- 121 Events: High-quality networking opportunities.
- The Mining Show, Dubai: Dr. Berhe featured on two panels.
- Resourcing Tomorrow, London: A major industry forum.

Our takeaway from these events is that, while London is slowly regaining interest in mining projects, the real enthusiasm and funding opportunities for exploration are emerging from the Middle East and Far East.

## **Corporate Activity**

### **Financing and Proposed IPO Update**

As mentioned in our newsletter last summer, achieving our goals requires additional financing. To support this, Daniel Fox-Davies joined the board as Chairman to lead future financing rounds. The board concluded that the best route for raising funds was through a public listing. Despite the current challenges for exploration companies in the market, we decided to pursue a listing on the London AIM market, given our status as a UK company with a strong UK-based network.

We began the IPO process at the end of the year. While IPOs are inherently complex, our presence in Eritrea—previously under sanctions—introduced additional KYC (Know Your Customer) hurdles, significantly slowing progress. Initially, we planned to complete the IPO by the end of March and had sufficient funds to operate until July, which was set as the critical deadline.

Key milestones included:

- A kick-off meeting on January 10th.
- Signing all necessary engagement letters by February 15th.
- Completion of an updated CPR and three years of audited accounts (available on our website: Andiamo Exploration Annual Accounts).

However, our reporting accountant, Crowe, encountered an internal KYC issue with one of our major shareholders. This issue wasn't resolved until May 30th, delaying submission of the Early Notification Letter to the AIM panel until June 10th. By then, it became clear that completing the IPO by early July was unfeasible, and we risked running out of funds.



In May, the board authorised Fox-Davies Capital to raise up to £1M via a convertible loan note. Unfortunately, weak equity markets and a poor outlook for IPOs prevented the success of this Pre-IPO financing round.

### **Current Focus and Next Steps**

Despite the challenges, we continue to make tangible progress on Yacob Dewar. Our immediate priority is securing the mining license, a critical milestone that will position us to unlock the project's full potential. To achieve this, we must raise additional funding to meet working capital needs and complete the remaining requirements for the mining license application.

To this end, the board has decided that an Open Offer to shareholders is the most effective way to raise the necessary funding. We believe this approach aligns with our commitment to creating value for our shareholders. Details of the Open Offer will be sent to all shareholders and posted on the company website in the new year.

### **Looking Ahead**

As we move into 2024, we are focused on strengthening partnerships and advancing our projects. We are pleased to announce our attendance at the Future Minerals Forum in January and Mining Indaba in February, two key industry events that have been instrumental in building connections and driving progress. We warmly invite you to meet with us at these events to discuss our plans and vision further.

We are confident that with your continued support, we can achieve these critical milestones and advance toward realizing the full value of our projects.

Thank you for being part of this journey.

Yours faithfully,

Dr Mark Heyhoe, CEO  
Andiamo Exploration Ltd

