



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.

13 December 2021

Offer to Andiamo Exploration Ltd shareholders (“Shareholders”) to subscribe for up to 24,649,212 shares in aggregate at a subscription price of US\$ 0.0142 (one point four two United States cents) 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.

A Subscription Agreement is appended. 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\$ 0.0142 per Offer Share to raise a total amount of US\$350,000.

Shareholders are invited to subscribe for 1 Offer Share for every 5 shares currently held, rounded up to the nearest whole share. 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 24,649,212. 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.

Capital Structure

As of the date of this offer the issued share capital of the Company is 123,246,031 ordinary shares.

On completion of this offer the anticipated issued share capital of the Company will be 147,895,243 ordinary shares.

Dates

Offer Date. 13 December 2021

Closing Date. All applications must be received by close of business GMT, Friday 28 January 2022.

Additional Shares. Shareholders will be notified of their allocation of Additional Shares applied for by close of business, GMT, Monday 31 January 2022.

Payment. All payments must be received by close of business, GMT, Friday 4 February 2022. 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 to fund working capital, with a view to a larger pre-IPO financing before the end of Q2 2022. The directors anticipate an IPO and listing of the Company, or the assets of the Company in an alternative structure, on a recognised stock exchange to take place in 2022. The current process with Fox-Davies Capital will be re-evaluated in the New Year and a strategy appropriate to market conditions at the time formulated.

Strategy

Andiamo's management has formulated a clear business strategy to stabilise and secure the Company in the medium term during the continuing Covid-19 and market uncertainty. Our objective remains 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, for which a comprehensive budget has been prepared, will be to:

- 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 a mining operation at Yacob Dewar
- Explore systematically for gold, copper and zinc on the Haykota licence and Mew extension
- Secure the new licence area under application
- 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 working capital for Q1, 2022, licensing obligations and further upgrading of technical reports in preparation for the listing of the Company on a recognised stock exchange.

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 Ingwersen** 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.

Projects

For information regarding Andiamo's projects please see the attached Company Presentation. Additional information can be found on the Company's website, www.andiamoexploration.com, including the NI43-101 Technical Report and a recent research report compiled by Fox-Davies Capital Ltd.

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.

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.