21 December 2016

Alecto Minerals plc ("Alecto" or the "Company")

Proposed Acquisition of the Mowana Copper Mine, Botswana

Suspension of trading in shares on AIM

Board changes

Alecto Minerals plc (AIM: ALO), the Africa-focused gold and base metal exploration and development company, is delighted to announce the proposed acquisition of Cradle Arc Investments (Proprietary) Limited ("Cradle"), a company incorporated in Botswana, which owns the Mowana Copper Mine ("Mowana" or the "Mine") in north eastern Botswana (the "Proposed Transaction").

The Proposed Transaction constitutes a reverse takeover under the AIM Rules for Companies (the "AIM Rules"); accordingly, trading in the Company's ordinary shares on AIM will be suspended with effect from 7.30 a.m. today and will remain suspended until an admission document is published in accordance with the AIM Rules, and the Proposed Transaction is subject, *inter alia*, to shareholder approval.

Highlights

- Proposed Transaction will be transformational – Alecto will acquire a 60% interest in Mowana, a former producing copper mine, and plant which can be brought back into production at a relatively low cost

- An offtake financing agreement has been agreed by Cradle for US$20 million which will provide funding for investment in the mine and the plant in order to increase recoveries

- Mowana has a mineral resource inventory of 683,000 tonnes copper ("Cu") in the Measured and Indicated categories (JORC-code compliant) with an additional 945,000 tonnes Cu in the Inferred category

- The Mine was commissioned in 2008 at a cost of US$60 million. It operated successfully between 2008-2015 processing an average of 775,406 tonnes per annum ("tpa") of ore at an average grade of 1.72% copper. In FY13/14 Mowana produced 43,301 tonnes of concentrate, representing 9,724 tonnes of Cu

- Alecto and its partners in the Proposed Transaction have re-modelled the Mine to ensure that it can produce from a much lower cost base to generate profit even at depressed commodity prices. At a copper price of US$2.50 per lb, Alecto's internal estimate for the project's NPV is US$245 million

- Alecto intends to perform process route upgrades including the installation of a Dense Media Separation ("DMS") plant to increase throughput from 1.2 million tpa to 2.6 million tpa to achieve an average copper production of 22,000 tonnes saleable Cu per annum

- The process route upgrades, which are expected to cost US$20 million, will be funded through an agreement with Fujax Minerals and Energy Limited ("Fujax") and Northern Heavy Industries Group Company Limited ("NHI")

- Alecto has agreed a 10-year management contract for Mowana with its partners and will receive management fees equal to 1.5% of revenue

- Mowana key data and assumptions:

Life of Mine (LOM)	11 years (from known resources with exploration upside potential)
Annual Production	22,000 tonnes of Cu
Average Copper Grade	1.34% Cu
Average Silver Grade	30 g/t
Average Gold Grade	0.5 g/t
NPV (10%)	US$245 million
IRR	55%

Source: Leboam Mowana Financial Model dated 20 December 2016

- Alecto will require additional funding in order to proceed with the Proposed Transaction and in order to provide funding to Mowana for the recommencement of production and it is in discussions with potential providers of such working capital financing

Mark Jones, CEO of Alecto Minerals, commented:
"Mowana is a first class copper mining project and I am very excited about the prospect of bringing it into Alecto's portfolio. The proposed acquisition of Mowana will be transformational for Alecto, turning the Group in to a producing miner and materially strengthening its balance sheet.

"I very much look forward to effectively completing our transformation from a greenfield exploration company into a multi-commodity metals producer in Africa in the coming months, and the team has conducted significant work to ensure that this is achievable. Our technical team has worked tirelessly to generate a robust business model that will target early cash flow from both the profitable mining of copper and the management of the operation. Additionally,

our commercial team has secured commitments for funding, so that we can realise the maximum value from copper production and quickly initiate plant improvements at Mowana that are expected to deliver substantial production efficiencies.

"The proposed Mowana acquisition represents an ideal opportunity to achieve a complete transformation of Alecto and we look forward to keeping investors abreast of our progress."

The Proposed Transaction

Alecto has agreed conditionally to acquire 100% of the issued share capital of Cradle for a consideration of £1,000,000 payable in cash (the "Cash Consideration") and the issue of new ordinary shares of 0.01 pence each ("Ordinary Shares") to the Vendor and its Nominees (as defined below) (the "Consideration Shares") that will represent 60% of the issued share capital of Alecto, as enlarged by the Proposed Transaction (including any associated equity fundraising) and any other share issues prior to completion. The final number of Consideration Shares will therefore be determined by, *inter alia*, the scale of any equity fundraising undertaken by Alecto prior to or in conjunction with the Proposed Transaction. However, as at the date of this announcement, the number of Consideration Shares to be issued is estimated to be 8,793,869,932. Accordingly, at 0.065 pence (being yesterday's closing price per Alecto share), the aggregate consideration to be paid by Alecto is therefore currently estimated to be approximately £6.72m.

The Proposed Transaction would constitute a reverse takeover under the AIM Rules due to its size and nature and will be subject to, *inter alia*, the publication of an admission document in respect of the enlarged group in accordance with the AIM Rules and shareholder approval.

Furthermore, the AIM Rules require that where a company announces a reverse takeover, trading in its shares on AIM be suspended pending publication of an admission document. Accordingly, trading in Alecto's shares will be suspended from 7.30 a.m. today until an admission document setting out full information on the Proposed Transaction and the enlarged group can be published. It is currently anticipated that an admission document will be published by the end of March 2017.

PenMin and Alecto have conducted considerable technical due diligence over a period of several months, as a result of which the Directors believe that the Proposed Transaction represents an attractive proposition for Alecto and its shareholders. However, the Proposed Transaction remains subject, *inter alia*, to formal legal, financial and technical due diligence, and to both financing and shareholder and regulatory approval and there can be no certainty as to when and if the Proposed Transaction will complete.

Alecto will require additional funding in order to proceed with the Proposed Transaction and to provide funding to Mowana for the recommencement of production and is in discussions with potential providers of such working capital financing, further details of which are set out below. If such funding cannot be raised, Alecto will not be able to proceed with the Proposed Transaction and will not be able to fund the recommencement of production at Mowana.

Cradle Arc Investments (Pty) Limited

Cradle is a holding company which currently owns 100% of the Mowana copper mine and plant in Botswana through its wholly owned subsidiary, Leboam Holdings (Pty) Limited ("Leboam").

The Mine consists of an open pit operation and a process plant, located within a PaleoProterozoic sedimentary basin of the southern African Shield, in north-east Botswana, that uses standard flotation process technology and has been designed to produce saleable copper concentrates from the treatment of up to 1.2Mtpa of oxide, supergene and sulphide ores. The process plant has two flotation circuits. Minerals are separated first, and tailings from the roughers are sent to an oxide circuit. Most other mineral species are recovered in the oxide flotation process. Concentrates are filtered to recover excess process water. Tailings are dewatered using thickeners and deposited onto a tailings storage facility. Water recovered in the dewatering stages is recycled to the various parts of the plant as appropriate. The plant is in good condition and capable of re-commencing mining using the existing infrastructure.

The plant consists of:

- a conventional crushing and screening circuit consisting of a primary crusher (fed from the ROM pad), and a secondary and tertiary crushers presenting a 15mm feed size to the mill;
- a single 150tph ball mill;
- a conventional dual oxide/sulphide flotation circuit;
- a concentrate drying circuit, including a Larox filter;
- a concentrate bagging station; and
- tailings dewatering equipment.

Power is supplied via a 132kV overhead line from a switching station on the national grid, 19km west of the site.

A detailed scoping study has been completed by Minero Consulting and SENET (Pty) Ltd ("SENET"), a leading South African project management and engineering company, for the introduction of a new DMS pre-concentration process and upgraded crushing that will increase throughput to 2.6 million tonnes per annum.

Leboam purchased the assets that comprise Mowana from Messina Copper Botswana (Pty) Limited ("MCB") through a liquidation process which was confirmed following a court approved arrangement with MCB's creditors on 16 December 2016. MCB was previously controlled by African Copper plc (previously listed on AIM), prior to its takeover by JSE-listed, ZCI Limited ("ZCI") (JSE: ZCI).

Under the terms of the Leboam acquisition a US$20 million payment (the "Leboam Payment") is due to the liquidators in May 2017 to settle the MCB creditors' claims. Additionally, Leboam has also agreed to take over US$112m of existing debt owed by MCB to ZCI. ZCI was the major creditor to MCB and holds security over the assets of Mowana. ZCI has agreed that on payment of the Leboam Payment it will release its security in its entirety, convert US$79m of its outstanding debt into 40% of the equity in Leboam, and leave the remaining US$21m as a term loan repayable over 10 years.

Accordingly, following the Leboam Payment, Alecto's interest in the Mine will be 60%.

Rationale for the Proposed Transaction

The proposed acquisition of Mowana is in line with Alecto's strategy to become a major metals producer in Africa. The Board is mindful that a strong balance sheet and debt servicing capacity is essential in order to enable it to finance its projects, and challenges in providing adequate security have slowed the development of the Matala Gold Project in Zambia. By acquiring a producing asset, Alecto will be capable of achieving its stated objective – to become a profitable metals producer in Africa.

As previously stated in its 2016 Interim Results, Alecto intends to be much more than simply a small gold producer in one country. The Company is focused on becoming a multi-commodity mining company with diverse geographical reach. The development of Matala will be capable of being progressed on better terms than had previously been offered, and the Board looks forward to active participation in its joint venture projects when appropriate.

Copper mines in Africa have generally been under considerable pressure in recent years with low commodity prices and an inability to contain costs after years of poor management. Alecto's approach when looking for a suitable project was to look at how mining could be recommenced from a much lower cost base in order to generate profit even at depressed commodity prices.

The proposed Mowana acquisition represents the ideal opportunity to generate cash flows and achieve a complete transformation of Alecto as a company. Alecto has agreed a 10-year management contract with its partners for operating the Mine which will generate income at the parent level at a rate of 1.5% of Mowana's revenue.

Financing

The Mine process upgrades, including the installation of a DMS plant, will require US$20m in funding during the first year of operation. Agreement has been reached with Fujax for the provision of US$3m as pre-payment for copper concentrate, and a further US$17m from NHI in the form of vendor financing for the equipment. Fujax is a minerals and energy trading company based in South Africa, and has been awarded the copper offtake contract for a period of five years. NHI is a mining machinery manufacturer based in China.

The Leboam Payment due to the liquidator of MCB will also be funded as an advance payment for copper concentrate production. Cradle has agreed that the sum of US$20m will be paid by Fujax in addition to the US$3m that they will provide for the process plant upgrades.

Alecto will also require funding to:

- provide working capital to Mowana of up to US$1m in the short term to enable production to re-commence (to be provided by way of a secured loan on normal market terms and which Fujax has agreed to match);
- meet the expenses of the Proposed Transaction;
- provide working capital for the Company's ongoing corporate costs.

The Company is currently in discussions regarding potential funding by way of a convertible loan note in order to provide the additional working capital needed to complete the Proposed Transaction and re-start production at Mowana. Accordingly, if such funding cannot be raised, Alecto will not be able to proceed with the Proposed Transaction and will not be able to fund the recommencement of production at Mowana.

The Company also currently intends that at the time of the enlarged group's re-admission of the shares to trading on AIM, a further funding round will be undertaken by way of a placing of new shares and an open offer, to allow all shareholders to participate in providing the requisite additional working capital for the Company.

As announced previously, the Company is also progressing financing arrangements for the group's Matala asset in Zambia and will provide further updates as appropriate.

The Vendor and its Nominees

The Vendor is PenMin Botswana (Pty) Limited ("PenMin"), a Botswana registered company owned by PenMin (Pty) Ltd, a South African company performing Design, Build and Operate contracts within the mining sector in Africa, which is in turn controlled by Kevin van Wouw. Under the terms of the SPA, PenMin has nominated that a proportion the Consideration shares will be received by C3W Limited ("C3W") and an employee trust established for the benefit of PenMin's employees (together, the "Nominees").

Neither PenMin nor the employee trust is currently a shareholder in Alecto.

C3W is a company incorporated in Mauritius owned and controlled by Gerald Chapman, a director of Alecto. Gerald Chapman is currently interested in 943,750,000 existing Ordinary Shares representing 17.90% of the existing issued share capital, US$304,635 of Convertible Loan Notes (the "CLNs") and £307,500 of deferred consideration relating to the acquisition of Matala in 2015 (the "Deferred Matala Consideration"). Subject to and at completion, Mr Chapman intends to convert all of the outstanding CLNs into 205,890,105 new Ordinary Shares at a price of 0.12 pence per share (in accordance with their terms) and receive 384,375,000 new Ordinary Shares *in lieu* of the Deferred Matala Consideration (an effective issue price of 0.08 pence per share, in accordance with the original terms of the Deferred Matala Consideration).

Immediately following completion of the Proposed Transaction (and after conversion of the CLN and settlement of the Deferred Matala Consideration in shares), it is expected that Mr Chapman and PenMin will each be interested in 29.9% of the enlarged issued share capital of Alecto.

Related Party Transaction

Mr Chapman is a related party of the Company under the AIM Rules as he is both a director and a substantial shareholder. Accordingly, the Transaction is also subject to the independent directors, being the directors of the Company other than Mr Chapman, reaching an opinion, in consultation with Strand Hanson Limited (the Company's nominated adviser) that the terms of the Transaction are fair and reasonable insofar as shareholders are concerned.

City Code on Takeovers and Mergers (the "Code")

The Proposed Transaction gives rise to certain considerations under the Code. Brief details of the Panel, the Code and the protections they afford are described below.

The Code is issued and administered by the Panel. The Code applies to all takeover and merger transactions, however effected, where the offeree company has its registered office in the United Kingdom, the Channel Islands or the Isle of Man and, *inter alia*, whose securities are admitted to trading on a multilateral trading facility in the United Kingdom (such as AIM). The Company is therefore subject to the Code.

Rule 9 of the Code requires that any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Code) in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30% or more of the voting rights of a company which is subject to the Code, will normally be required to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with any persons acting in concert with him, is interested in shares which, in aggregate, carry not less than 30% of the voting rights of such a company but not more than 50% of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person, or any person acting in concert with him. An offer under Rule 9 of the Code must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

Rule 9 of the Code further provides, *inter alia*, that where any person who, together with persons acting in concert with him, holds over 50% of the voting rights of a company and acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares. However, the Panel may deem an obligation to make an offer to have arisen on the acquisition by a single member of a concert party of an interest in shares sufficient to increase his individual interest to 30% or more of a company's voting rights, or, if he already holds more than 30% but less than 50%, an acquisition which increases his interest in shares carrying voting rights in that company.

Under the Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of, or to frustrate the successful outcome of an offer for a company, subject to the Code. Control means an interest, or interests, in shares carrying, in aggregate, 30% or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control.

Mr Chapman, PenMin and the employee trust (the "Concert Party") are expected to be regarded as acting in concert for the purposes of the Code.

Accordingly, the interests of the Concert Party will increase, if the Proposed Transaction completes, to above 50%, which, absent a waiver of the obligations under Rule 9, would then oblige the Concert Party to make a general offer under Rule 9 in certain circumstances.

Under Note 1 on the Notes on the Dispensations from Rule 9 of the Code, the Panel will normally waive the requirement for a general offer to be made in accordance with Rule 9 of the Code if, *inter alia*, the shareholders of the company who are independent of the person who would otherwise be required to make an offer and any person acting in concert with him pass an ordinary resolution on a poll at a general meeting approving such a waiver (a "Whitewash Resolution").

The Company intends to seek the Panel's agreement, subject to a Whitewash Resolution being passed on a poll by independent shareholders at a general meeting, to waive such an obligation on the Concert Party to make a general offer to shareholders under Rule 9 of the Code, which would otherwise arise in connection with the Proposed Transaction and the associated issues of new Ordinary Shares.

Further information regarding the Code and the protections it affords to Shareholders will be set out in an admission document.

Key terms of the Proposed Transaction

The Company has agreed to acquire the whole of the issued share capital of Cradle for the consideration of £1 million in cash and the issue and allotment of such number of new Ordinary Shares which represents 60% of the fully diluted enlarged issued share capital of the Company on admission. The share purchase agreement is conditional on, *inter alia*, publication of an admission document and admission of the fully diluted enlarged share capital of the Company to trading on AIM.

Board changes

Mr Chapman has decided that, given his close involvement with the Proposed Transaction, he should step down as Chairman with immediate effect, but remain as a non-executive director of the Company. Toby Howell, an existing non-executive director of the Company, has therefore assumed the role of Non-Executive Chairman with immediate effect.

The Proposed Transaction will represent a substantial change in the scale and nature of the Group and the Directors anticipate making further appointments to strengthen both the Company's executive and non-executive capacity.

Suspension of Trading in the Company's Shares and Publication of Admission Document

Trading in the Company's shares on AIM will be suspended with effect from 7.30 a.m. today and remain suspended until an admission document is published in accordance with the AIM Rules.

An admission document will be published by the Company setting out full details of the Proposed Transaction and the enlarged group, and giving formal notice of a general meeting at which resolutions giving effect to the Proposed Transaction will be put before shareholders. Publishing an admission document requires an extensive due diligence process and it is currently anticipated that an admission document will be published and that trading in the Company's shares will recommence towards the end of March 2017.

Further updates, including timescales, will be provided as and when appropriate.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 ("MAR").

****ENDS****

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