

27 July 2017

Alecto Minerals plc (“Alecto” or the “Company”)

Open Letter to Shareholders

Dear Shareholders,

Your Board wishes to provide further clarity for the Company’s shareholders as to the Company’s current situation and to address certain in-bound queries which have been received following the Company’s announcement of 14 July 2017.

Alecto remains strongly committed to completing the acquisition of the Mowana mine (which the directors continue to believe is a highly valuable and commercially attractive asset), and to seeking the subsequent re-Admission of the enlarged group to AIM. In order to achieve this goal, the Company’s advisers are providing key ongoing assistance and the Board is focused on ensuring the success of the Company in order to generate and deliver long term value to shareholders.

Cancellation of the Company’s shares from trading on AIM following a six month period of suspension

The Company had intended and endeavored to complete the reverse acquisition of the Mowana mine well within the six month time period for suspension permitted by the AIM Rules. However, the complexity and conditionality of the transaction (a large overseas operating business being acquired out of liquidation, rehabilitated and simultaneously being acquired by a small public company) regrettably resulted in the preparation of the Admission Document and requisite supporting documentation being protracted and exceeding the maximum six month suspension period under AIM Rule 41, ultimately leading to Alecto’s shares being cancelled from trading.

The key work streams that contribute to the preparation of the draft Admission Document include:

- Full legal due diligence reports and opinions for the three principal countries where Alecto operates and its assets are situated and a UK legal due diligence report, each of which are subject to review by another third-party law firm;
- The completion of a comprehensive technical report by an independent competent person, which was updated and revised as the mine was brought back into production; and
- The working capital report generated by the reporting accountant, which took longer than originally envisaged due to the complexity of the transaction, with the underlying operating assumptions and dynamics evolving as mining recommenced and production ramp-up proceeded.

It was essential for the Company to rehabilitate the mine and commence operations at Mowana in Q1 2017 in order to adhere to the commercial terms agreed with the vendors and creditors of Mowana and the proposed third party providers of financing. In addition, the Directors were cognisant that the Company’s requisite capital raising, to be completed as part of the re-Admission process, would be more deliverable and attractive to investors, if the mine was successfully operating. However, commencing operations in Q1 2017, whilst simultaneously compiling the Admission Document and all supporting documentation, was inevitably

challenging and ultimately led to a re-aligning of the timetable across the legal, financial and technical parts of the process. Despite such delay, the Company produced a verified substantially final draft of the pathfinder Admission Document within the six month timeframe.

The proposition was well received by potential investors during initial pre-marketing and the transaction and re-Admission process was on track. However, due to the complexity and conditionality inherent to the acquisition, unforeseen complications arose, such that, whilst a short extension was sought and obtained, the Company's admission to trading was cancelled pursuant to the provisions of AIM Rule 41. By seeking to now complete the entire acquisition process off-market / in the private arena before re-Admission and having reached an advanced stage of preparedness, the Board is confident that the Company is well placed to address the outstanding conditions, reduce the transaction complexity and thereby facilitate re-Admission of the enlarged group to AIM in due course.

The abovementioned course of events was not foreseen and is clearly regrettable, however, the Company and its advisory team are focused on working together to achieve the ultimate goal of Alecto returning to AIM as the majority owner of a substantial operating copper mine in Botswana. Accordingly, subject to the passing of the Resolutions at the Company's forthcoming general meeting convened for 31 July 2017 (the "General Meeting") and successful completion of a pre-IPO fundraise, the Company will endeavour to expeditiously complete the full acquisition process prior to then making a new application for the enlarged group to be admitted to trading on AIM. Currently, the Company's key focus is on raising the capital required to complete the acquisition as a private placing, following which, the draft Admission Document and supporting documentation will be updated as appropriate and the re-Admission process will recommence, which is currently expected to occur during September 2017.

As set out in the circular accompanying the formal notice of General Meeting, a further circular will also be prepared and published in the interim, requesting that independent shareholders vote on a whitewash resolution to approve the grant of a waiver by the Panel of any obligation on the vendor of the Mowana mine and its concert parties to make a general offer to Shareholders under Rule 9 of the City Code, arising from the issue of the consideration shares to them pursuant to the acquisition (the "Whitewash").

It should be noted that a new Admission and a reverse takeover re-Admission are in essence very similar processes, with similar documentation requirements. The Directors understand that cancellation of trading pursuant to AIM Rule 41 will not of itself make seeking re-Admission to trading for the enlarged group any greater hurdle.

Timetable to Completion

The current long stop date for final completion of the acquisition of the Mowana mine is 30 September 2017 (the "Long Stop Date"), however, Mowana's previous owner's major creditor (ZCI) and the liquidator have both shown willingness to work with and accommodate the Company by, for example, already indicating that they would potentially be amenable to agreeing a suitable extension to the Long Stop Date, should any such extension be required, albeit the Company does not currently anticipate such additional time being necessary.

Alecto continues to hold constructive discussions with all parties to the transaction in order to reach a point of mutual benefit. In theory, if Leboam (the owner of the Mowana mine) was unable to satisfy all of the conditions subsequent to the acquisition agreement by the Long Stop Date for whatever reason, then ZCI is entitled to apply to enforce the security it holds over the Mowana assets. However, it should be reiterated that there is a willingness to continue to closely work together and all parties are actively seeking ways to ensure that the transaction reaches a successful conclusion as currently envisaged.

Re-Admission of the Enlarged Group to AIM

Due to the advanced nature of the re-Admission documentation, the Directors understand that, following satisfaction of the outstanding conditions and completion of the acquisition of the Mowana Mine in full, the process of applying for the Company's enlarged share capital to be admitted to trading on AIM, should be a relatively quick and more straightforward process, with the complexities and uncertainty inherent to the transaction having been eliminated. A number of supporting workstreams and documents will have to be updated, as will the draft Admission Document itself, but the Directors believe that there should be no significant hurdles to achieving a new admission to AIM following final completion of the acquisition.

Accordingly, following completion of the proposed private placing and the Whitewash, Alecto and its advisers will update the draft pathfinder Admission Document prior to the final US\$20m payment to the liquidator being made (expected to occur during September 2017), thereby satisfying the final condition to Leboam's acquisition of the Mowana mine and, thereafter, the Company will submit the requisite 10-day notice for re-Admission of the enlarged group to trading on AIM as the owner of 60% of Mowana.

Publication of 2016 Accounts

Publication of the Company's 2016 Annual Report and Accounts (the "Accounts") has been delayed since, absent a suitable capital raising, the Accounts would have to be qualified with respect to the Company's ability to continue as a going concern. In the Company's original transaction timeline, the reverse takeover and re-Admission fundraising would have been completed in advance of the deadline of 30 June 2017 and the Accounts would therefore have been published alongside the re-Admission Document, with no qualification being required. Issuing qualified Accounts could potentially have a detrimental impact on the enlarged group's ability to achieve admission to trading on AIM, such that the Directors therefore intend to finalise and publish the audited Accounts as soon as possible following the completion of the private placing.

Pre-IPO Fundraising and Share Issues

The Directors would greatly prefer to raise additional funds at a premium to the Company's share price at the time of the Company's suspension from trading of 0.06625p (equivalent to 19.875p following the proposed 300:1 consolidation to approved at the General Meeting) and believe that, after seven months of progress on the ground at Mowana, the Company has the intrinsic value to justify such a premium. However, the Board has been guided by both of the Company's brokers and the feedback from the pre-marketing exercise, that the suspension price is the most credible and relevant point of reference and that, if the Company is to be successful in raising new funds, then a private placing must be completed at, or close to, the suspension price (as adjusted by the proposed consolidation).

An open offer or similar pre-emptive means of raising funds from existing investors has always been the intent of the Board. However, in the immediate term, the administrative costs and additional time required to implement such an open offer would be prohibitive and thus a pre-IPO private placement is the route that the Company has been strongly advised to follow in light of its current financial position. The Directors will endeavor to provide an opportunity for existing shareholders to participate in a future fundraising at the appropriate time. Gerald Chapman, a former Non-Executive Director of Alecto, will not be participating in the private placing.

Currently, the Company urgently needs to raise funds in order to complete the acquisition of the Mowana mine and to meet the substantial costs incurred in connection with the acquisition and re-Admission process as well as to meet its ongoing working capital requirements. Once this process is complete, the Company should be in a more robust financial position and, following the completion of the acquisition, able to achieve financial self-sufficiency. Should any further capital be required thereafter, the Directors will be better positioned to determine at what price and on what terms the Company raises such further capital. The Directors believe that following completion of the acquisition of the Mowana mine, the Company, as the 60% owner of a valuable active copper producer, should warrant a significant market re-rating upon re-Admission of the enlarged group to trading on AIM.

One of the overriding goals of the next round of funding is to establish an institutional investor base that is invested for the longer-term and that can support the Company as it continues to develop and grow.

Future Communications

Going forward, the Board will endeavour to provide more regular news flow, although the Company will still maintain public market standards in its communications through to its anticipated re-Admission to the public markets, and Q&A sessions will be organised as and when appropriate.

News from the Company's other Portfolio Assets

News from the Company's various joint ventures is anticipated to be received shortly now that the rainy season has started in West Africa. Updates will therefore be provided as soon as information is received from the Company's joint venture partners. However, it should be noted that the Company's partners (including Randgold and Ashanti) are publicly quoted entities and have to adhere to their own reporting obligations and policies.

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