

May 3, 2021



Clynton R. Nauman

In the recent past some shareholders have asked me “why on earth would you decide to startup silver production and build out an underground mining and milling complex, in the middle of a global pandemic?” The answer is in the more than 120 employees who have joined our team in the last eight months, stoically managing through border restrictions, complicated on-site workplace protocols, and supply line complications. No one has wavered from this challenge and our progress has been steady, if slow, and today, we are mining, processing ore and shipping concentrate at a steadily increasing rate.

In the bigger picture, we are developing and moving toward a four million ounce per year silver production stream in an environment of continuing global currency debasement, silver price improvement, and importantly, increasing industrial and investment off-take of silver. In short, despite the unique and significant risks presented by the worldwide pandemic, we are committed to restart silver production at Keno Hill and equally driven to surface the full value of our assets regardless of the business cycle or any other external challenges we face. I am very confident that we are in the right place at the right time as has been reflected in our market value. In this context, while our share price performance was in large part impacted by the extreme volatility of the silver price during 2020, we also had a very busy and productive year.

In terms of the background to our production decision, you will remember that in the recent past we have outlined two new ore deposits, Flame & Moth and Bermingham, which combined contain an indicated 60 million ounces of silver at average grades ranging from approximately 500 grams per tonne silver at Flame & Moth, to more than 900 grams per tonne silver at Bermingham. Approximately half or 30 million of those silver ounces are included in our initial mineral reserve and mine plan. These two deposits form the backbone of our initial mine and silver production plan at Keno Hill.

We actually began advancing surface infrastructure projects including mill refurbishment in 2019, so we started 2020 near to production-ready but awaiting the final renewed and expanded Water Use License (“WUL”). In anticipation of this, in February 2020, we completed the sale of our subsidiary environmental consulting business, AEG, to AEG management, while retaining our ownership of Elsa Reclamation & Development Company Ltd. to execute the clean-up of historical mines at Keno Hill. This transaction increased our liquidity and allowed us to devote all our resources to the Keno Hill mine ramp up.

We received the final WUL and made a positive production decision in July, and in August we amended the Wheaton Silver Purchase Agreement, thereby simplifying the calculation of payments from Wheaton and further de-risking the project. We began hiring key personnel and staff to complete our Keno Hill operations team and launched full-scale construction and development activities. The rehabilitation of the Bellekeno mine began in Q3 2020 and we commenced underground development of the Flame & Moth and Bermingham deposits in Q4 2020. Re-commissioning of the Keno Hill District mill (the “Mill”) followed in November after completing several key upgrades. Finally, the first concentrates were shipped in January 2021 and today the Mill continues to operate on a roughly two-week on, two-week off basis to match ore deliveries from Bellekeno, which has consistently outperformed block model grades and where ore extraction will extend well into Q2 2021.

In 2021, I expect that our market performance will be driven by the silver price as well as our execution of the final ramp up of operations to 400 tonnes per day through the Mill. Internally, we view the initial production period 2021-22 as an opportunity for a share price rerate as a “producer” but also the forerunner of potentially larger scale district opportunities. In the shorter term though, there are three critical things we need to deliver in 2021, which will help the market realize our valuation and drive our share price:

- a) An update of Keno Hill’s current mineral reserves estimate in Q2;
- b) Achieving mill throughput of 400 tonnes per day by Q4; and
- c) Completing a +25,000 meter surface exploration program at the Bermingham Northeast deep targets and, if successful, produce an updated mineral resource estimate for the Bermingham deposit in Q4.



From the Chairman

In addition to developing and exploring Keno Hill, we are also advancing the final permitting for the government funded remediation of historical liabilities in the Keno Hill Silver District. This year, the project is advancing through the application process for the final authorization for the legacy project clean-up. In addressing Keno Hill's historical liabilities, Alexco is demonstrating its commitment to operate under principles of sustainable mining and contributing to the betterment of the Keno Hill Silver District and its surrounding communities.

Longer term, we continue evaluating growth opportunities both within and outside Keno Hill to offer investors a diversified risk profile beyond our single-asset platform. Make no mistake, I believe that Keno Hill is a company maker, it is located in a tier 1 jurisdiction with significant geological potential, and we intend to continue growing it through exploration; but at the same time, we are methodically evaluating accretive opportunities that are consistent with our corporate strengths.

I would be remiss if I did not mention the excellent safety performance we achieved in 2020. In December, Keno Hill reached 10 years operating without a lost-time-accident ("LTA") and we owe a special recognition to all our employees and contractors, who demonstrated an unwavering commitment to safe mining and industrial practices. In 2021 unfortunately, we have sustained two LTAs, within a total of over 314,000 hours of work invested in the startup project. We strive to always do better and with the onboarding of new employees in our engineering, mining, exploration, operations maintenance, and other teams, adherence to industry-leading safety practices is and will continue to be paramount. In addition, last year we managed to maintain a COVID-19 free work environment thanks to the discipline and observance of strict health protocols that are still in place today. Our workers' efforts cannot be overstated, and we thank all of them for their extraordinary contributions.

Finally, to our shareholders and supporters; as the world emerges from the COVID-19 crisis and governments work to reinvigorate their economies, I am confident that silver will do very well, and Keno Hill is at the right stage of its life cycle to take advantage of this scenario. I look forward to updating you on our progress and thank you for your continued support and the confidence you place on us.

Sincerely,

/s/ Clynton R. Nauman

Chairman & Chief Executive Officer
Alexco Resource Corp.

