

April 23, 2020



*Clynton R. Nauman*

It seems a paradox to me to be writing a letter that is traditionally designed to reflect the performance, fortunes and attributes of your Company when our world is essentially upside down in the grips of an unprecedented, and let's face it, scary pandemic. Your most important job as a shareholder is to stay safe – our job as managers is to ensure that Alexco is doing all it reasonably can to protect our assets, our employees and the communities in which we work while also positioning the Company to emerge from this challenging period in a strong and healthy position. Our aim is to deliver on that objective.

Looking back, 2019 was an all-around strong year for Alexco - precious metals began to show some life with the silver price improving 17% over the year. In response, our share price appreciated by 130% and we performed at the 84<sup>th</sup> percentile relative to our more diverse peer group. Increasingly, Alexco is viewed as one of the few remaining “pure” silver players, clearly leveraged to the silver price through our ownership and development plans at Keno Hill, a world class silver district in a tier one jurisdiction.

Our 2019 market performance was underpinned by the progress we made towards our ultimate goal of silver production at Keno Hill. We achieved several important milestones, most notably publishing an optimized independent pre-feasibility study for expanded silver production from four mines at Keno Hill and completing another successful surface exploration campaign that further underscored the importance of our most recently discovered Bermingham deposit. We advanced key surface capital construction projects and pushed ahead our permitting efforts in anticipation of being “production ready” in 2020. By far the most challenging aspect of our march toward a production decision at Keno Hill has been the renewal and amendment of our primary Water License to enable us to incorporate the Bermingham deposit into our future silver production plans – it is now approaching two and a half years since we lodged the original application with the Yukon Environmental and Socioeconomic Assessment Board with the last 21 months occupied by review and deliberation by the Yukon Water Board (“YWB”). The good news is that there is light at the end of the tunnel – we are reasonably confident the YWB will issue our renewed and amended Water License in Q2, 2020, which will permit ore production well into the 2030's.

To help clear the decks in anticipation of a production decision, in February 2020 we sold our 100% owned environmental consulting business, Alexco Environmental Group (“AEG”), to AEG's management team in an all-cash transaction valued at \$13.35 million. We started the AEG business in 2005 and successfully built the subsidiary into a leading and profitable environmental remediation and consulting business with a team of over 90 professionals and a growing portfolio of projects in North America. From the business perspective, our stand-alone return on invested capital in AEG was approximately 11%, an overall success and benefit to shareholders over the years. In response to AEG's rapid growth and increasing demand for its services, including escalating working capital requirements, we made the strategic decision to divest our interest in the business – this allowed AEG management to take the business to the next level while we were freed to direct our undivided attention to advancing our mining business. I should also highlight that Alexco retained the ownership of Elsa Reclamation & Development Company, which will execute the clean-up of historical mines in the Keno Hill Silver District under its existing contractual arrangement with the Government of Canada.

In 2020 precious metals started the year on a positive note. Silver maintained its upward trend until mid-March, when the World Health Organization declared a COVID-19 pandemic resulting in economic activities shutting down across the globe. Since mid-March, when silver briefly touched below US\$12 per ounce and gold dipped below US\$1,500 per ounce, both metals have recovered (gold more so than silver), and silver now trades in the US\$15 per ounce range while gold has surpassed the US\$1,700 per ounce mark. Governments around the world have reacted to this crisis with eye watering fiscal and monetary stimulus in an attempt to mitigate the pain of a looming global recession. At the same time, we may be seeing the first small steps by generalist investors moving toward the precious metals sector with large cap gold and silver mining stocks leading the market as it recovers from the recent collapse. If continued, this is a very encouraging sign for smaller operators such as Alexco.



## From the Chairman

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In response to the restrictions imposed by the government due to COVID-19 and to ensure the well-being of our workers and our communities, in late March 2020 we decided to suspend our underground development work but continue surface capital projects that were already underway, and we implemented a maintenance program to ensure the site is kept in a development-ready status. The ultimate goal is to preserve the value we have created and to maintain our ability to restart development activities such that Keno Hill can achieve production within our original 6-month schedule once restrictions are lifted and, conditional on receipt of a renewed Water License and prevailing market conditions, a positive production decision is made.

I want to acknowledge and thank all of our employees for their professionalism, resilience, and hard work. A special thanks is due to our Board of Directors who provided steady guidance as we changed and streamlined the Company in 2019 and into 2020. As we care for our loved ones and colleagues, we are reminded of how much we rely on each other's experience and dedication to realize our goals and create long-term value for all our stakeholders. I am proud to be part of the Alexco team.

Finally, I thank our shareholders and supporters for their continued support and confidence, and I look forward to updating our progress as we continue our journey towards again becoming Canada's only primary silver producer.

Sincerely,

*/s/ Clynton R. Nauman*

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Chairman & Chief Executive Officer  
Alexco Resource Corp.

