Agricola Resources plc

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7 November 2012

Letter to Shareholders

Dear Shareholder

You will be aware of the announcement on 31 October 2012 that Agricola Plc ("*Agricola*" or the "*Company*") has been withdrawn from PLUS and that the Company is progressing an agreement to acquire a number of assets in New Zealand. As with all regulatory announcements, this was limited in what could be said. I have therefore decided to write personally to all shareholders to explain in more detail the background to the withdrawal, its implications and what is now intended for the Company.

Background

Since March 2010, the Company has been looking to acquire new projects to give new direction and momentum to the Company.

Under PLUS Rules, any such acquisition would have constituted a Reverse Take Over ("*RTO*") which would require the suspension of the shares, the production of a new Admission Document and re-admission of the Company's securities to PLUS.

The shares were suspended in October 2010 when it was thought that the Kazakh discussions were at an advanced stage and that news of this transaction might leak into the market. Any such leak could have led to a "*disorderly market*" where some but not all facts might have been available to investors or where some investors had information which was not available to the general market. The suspension was therefore imposed to protect investors for the period of time that it would take to reach a formal and binding agreement on the RTO.

As various updates since then have shown, the Kazakh discussions proven to be both lengthy and frustrating.

Accordingly, in February of this year the Company entered into discussions to acquire certain New Zealand projects.

These have progressed well and the Company has now agreed, subject to certain conditions, to acquire 100% of the shares in an English company, South Island Developments Limited ("*SID*"). SID in turn owns 75% of the shares of three New Zealand companies each of which holds permits for four prospects in the South Island of New Zealand. These four underlying projects are early stage gold, platinum and Heavy Mineral Sands ("*HMS*") prospects. SID has satisfactorily completed legal, financial and regulatory due diligence on the three companies and four projects.

In August 2012, PLUS gave the Company notice of a final suspension period until 31 October 2012. In order to remain on PLUS S-X, the Company would need to request a reinstatement to trading on PLUS. Had it not been for the imminence of New Zealand acquisition, the Company would not have had any issue with requesting a reinstatement of dealing.

However, the Company took the view, supported by legal advice, that under the PLUS Rules for Issuers and the Financial Services and Markets Act 2000, the Company was obliged to announce the New Zealand acquisition on the basis that it is price sensitive information. As the acquisition would constitute a RTO under the PLUS Rules, PLUS would have been obliged to suspend the Company. PLUS' position was that the Company should only announce the New Zealand acquisition when a formal and binding agreement has been entered into but that they would not interfere with a decision to announce the New Zealand deal in advance of a formal binding agreement. However, PLUS have concluded that irrespective of any announcement, the Company would have to be withdrawn on 31 October 2012 if trading has not been restored.

This stance effectively put the Company between a rock and a hard place. In order to ensure that its shareholders could be kept properly informed about the SID transaction, the Directors believed it had no choice other than accept the withdrawal from PLUS S-X.

Implications

The delisting obviously means that shareholders will not be able to trade on a public market until the Company is relisted on AIM. However, had PLUS applied their own Rules, the shares would have remained suspended in any case.

The delisting does however mean that the Company can progress the SID acquisition as a unlisted company which should prove far more cost effective and time efficient for all concerned. Shareholders should note that the Company and its Directors are still subject to the Companies Act requirements relating to plcs as well as the Takeover Panel so shareholders will continue to enjoy a high level of protection. The Company is also now in a position where it can disclose information more freely to its shareholders.

In addition, as announced, the Company is intending to apply for Admission to AIM which has higher regulatory standards than PLUS and potentially offers shareholders far greater liquidity than that available on PLUS.

New Zealand Assets

SID owns 75% of each of four South Island projects:

- Bluff – heavy mineral sands and precious metals - gold, platinum, rutile, zircon, ilmenite
- Otama – gold and copper
- Woodlaw – gold and platinum
- Marlborough – gold project

According to the independent geologist, Brian Varndell, "*The [New Zealand assets] represent a very good exploration play which can have early gold and heavy mineral production at Bluff and gold from the alluvials at Otama*". The four projects have been valued by Varndell at c. US$6.76m on 99.85% discount giving a value of US$5.1m for 75% of the assets. It is my view that there is considerable upside potential on the valuation. The Bluff valuation is solely based on the gold and iron potential with *zero value* being placed on the heavy sands and it is also based on an area of 105 sq kms which is now 184 sq km. Further, the standard industry 99.85% discount was applied to all four projects due to their early stage. Positive results from planned exploration work at Bluff and Otama could rapidly improve the value of these two projects by nearly seven fold.

It should also be noted that, unlike many countries with a highly prospective geology, New Zealand

has a supportive government, a stable geopolitical setting and fiscal regime and first world transportation and infrastructure.

For instance the Bluff project has, already in place access to a road network , power and minutes away from the port at Bluff making the product easy to export.

Consequently I am very positive about the prospects and their potential for Agricola. On the strength of this opportunity I have personally funded SID, my daughter is a shareholder in SID and, since June 2012, I have also personally met all the costs of Agricola.

A presentation describing the New Zealand assets in more detail will be available on the Company's website www.agricolaresources.com

Next Steps

The Company will now proceed with the SID acquisition. In particular, it will seek to raise approximately £2.3 million that will be used to fund the costs associated with the AIM listing, working capital and an 18 month exploration programme.

While the change of control of the New Zealand companies which own these assets is subject to New Zealand governmental approval, the Directors understand that this is largely a formality and approval is expected to take between one and three months. The acquisition is also subject to further due diligence, completion of a Competent Persons Report as well as a formal agreement between the parties. The Directors are hoping to complete all activities and to relist on AIM in early 2013.

General Meeting

In order to affect the acquisition, the Company needs to restructure its share capital and, in particular, it will need to reduce the nominal value of its shares. This will require shareholder approval and the Company intends calling a General Meeting in early December 2012.
More information on this will be provided in a Circular to Shareholders which will be sent out with the notice of General Meeting.

In the meantime, please contact me if you have any further queries.

Yours sincerely

Clive Sinclair-Poulton
Chairman