



**ALEXCO**

**ALEXCO RESOURCE CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of Alexco Resource Corp. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. It includes those policies and procedures that:

- (i) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions related to and dispositions of Alexco's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that Alexco receipts and expenditures are made only in accordance with authorizations of management and Alexco's directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Alexco assets that could have a material effect on Alexco's financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Alexco's internal control over financial reporting as at December 31, 2014, based on the criteria set forth in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that Alexco's internal control over financial reporting was effective as at December 31, 2014.

The effectiveness of Alexco's internal control over financial reporting as at December 31, 2014 has been audited by PricewaterhouseCoopers LLP, Alexco's independent auditors, as stated in their report which appears on the following page.

***"Clynton R. Nauman"***  
*(signed)*

**Clynton R. Nauman**  
*President and Chief Executive Officer*

*March 25, 2015*

***"Michael Clark"***  
*(signed)*

**Michael Clark**  
*Chief Financial Officer*



March 25, 2015

## **Independent Auditor's Report**

### **To the Shareholders of Alexco Resource Corp.**

We have completed integrated audits of Alexco Resource Corp.'s December 31, 2014, December 31, 2013 and December 31, 2012 consolidated financial statements and its internal control over financial reporting as at December 31, 2014. Our opinions, based on our audits are presented below.

#### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Alexco Resource Corp., which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity for each of the three years ended in the period ended December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alexco Resource Corp. as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Report on internal control over financial reporting**

We have also audited Alexco Resource Corp.'s internal control over financial reporting as at December 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

### **Management's responsibility for internal control over financial reporting**

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control over Financial Reporting.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the company's internal control over financial reporting.

### **Definition of internal control over financial reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent limitations**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, Alexco Resource Corp. maintained, in all material respects, effective internal control over financial reporting as at December 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by COSO.

*signed "PricewaterhouseCoopers LLP"*

**Chartered Accountants**

**ALEXCO RESOURCE CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT DECEMBER 31**

(expressed in thousands of Canadian dollars)

	Note	2014	2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	\$ 8,639	\$ 8,610
Accounts and other receivables	7	3,951	4,929
Restricted cash and deposits	9	1,063	-
Inventories	8	971	5,260
Prepaid expenses and other current assets		503	437
		15,127	19,236
<b>Non-Current Assets</b>			
Restricted cash and deposits	9	9,152	9,460
Inventories	8	4,269	-
Long-term investments	10	597	539
Property, plant and equipment	11	17,935	25,810
Mineral properties	12	57,772	75,847
Intangible assets		343	321
<b>Total Assets</b>		<b>\$ 105,195</b>	<b>\$ 131,213</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	14	\$ 2,375	\$ 2,220
Income taxes payable	24	23	21
Environmental services contract loss provision	15	59	1
Deferred revenue	16	1,338	172
Flow-through share premium pending renunciation		-	1,506
		3,795	3,920
<b>Non-Current Liabilities</b>			
Environmental services contract loss provision	15	204	112
Deferred revenue	16	479	1,234
Silver streaming interest	17	18,118	18,190
Decommissioning and rehabilitation provision	18	4,151	3,803
Deferred income tax liabilities	24	1,411	2,775
<b>Total Liabilities</b>		<b>28,158</b>	<b>30,034</b>
<b>Shareholders' Equity</b>		<b>77,037</b>	<b>101,179</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 105,195</b>	<b>\$ 131,213</b>

**COMMITMENTS**

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**APPROVED ON BEHALF OF  
THE BOARD OF DIRECTORS**

*"Terry Krepiakovich"*  
*(signed)*

Director

*"George Brack"*  
*(signed)*

Director

The accompanying notes are an integral part of these consolidated financial statements

**ALEXCO RESOURCE CORP.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED DECEMBER 31**

*(expressed in thousands of Canadian dollars, except per share and share amounts)*

	Note	2014	2013	2012
<b>Revenues</b>				
Mining operations		\$ 361	\$ 43,114	\$ 76,725
Environmental services		14,925	16,319	7,983
<b>Total revenues</b>		<b>15,286</b>	<b>59,433</b>	<b>84,708</b>
<b>Cost of Sales</b>				
	21			
Mining operations		-	43,143	61,691
Environmental services		10,037	7,470	5,097
<b>Total cost of sales</b>		<b>10,037</b>	<b>50,613</b>	<b>66,788</b>
<b>Gross Profit (Loss)</b>				
Mining operations		361	(29)	15,034
Environmental services		4,888	8,849	2,886
<b>Total gross profit</b>		<b>5,249</b>	<b>8,820</b>	<b>17,920</b>
General and administrative expenses	22	8,466	12,471	16,657
Mine site care and maintenance	23	3,130	1,210	-
Foreign exchange losses (gains)		(660)	(182)	324
Write-down of mineral properties	13	25,103	51,840	-
Write-down of property, plant and equipment	13	4,828	3,501	-
Loss on impaired long-term investments	10	-	2,160	-
		<b>40,867</b>	<b>71,000</b>	<b>16,981</b>
<b>Operating (Loss) Income</b>		<b>(35,618)</b>	<b>(62,180)</b>	<b>939</b>
<b>Other Income (Expenses)</b>				
Investment income		66	246	748
Finance costs		(42)	(47)	(46)
Gain on sale of mineral property	12	-	-	6,346
Derivative loss	10	(14)	(98)	(8)
<b>(Loss) Income Before Taxes</b>		<b>(35,608)</b>	<b>(62,079)</b>	<b>7,979</b>
<b>Income Tax Provision (Recovery)</b>				
Current	24	18	231	449
Deferred	24	(2,854)	(11,860)	4,110
<b>Net (Loss) Income</b>		<b>(32,772)</b>	<b>(50,450)</b>	<b>3,420</b>
<b>Other Comprehensive Income (Loss)</b>				
Items that may be reclassified subsequently to net income (loss)				
Cumulative translation adjustments, net of tax \$251, \$nil, \$nil		(24)	(311)	23
Gain (loss) on long-term investments	10	72	(2,062)	(32)
Recycle loss on impaired long-term investments to statement of loss	10	-	2,160	-
<b>Total Comprehensive (Loss) Income</b>		<b>\$ (32,724)</b>	<b>\$ (50,663)</b>	<b>\$ 3,411</b>
<b>(Loss) Earnings Per Share</b>				
Basic	25	\$ (0.50)	\$ (0.81)	\$ 0.06
Diluted	25	\$ (0.50)	\$ (0.81)	\$ 0.06

The accompanying notes are an integral part of these consolidated financial statements

**ALEXCO RESOURCE CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31**

*(expressed in thousands of Canadian dollars)*

	2014	2013	2012
<b>Cash Flows from Operating Activities</b>			
Net (loss) income	\$ (32,772)	\$ (50,450)	\$ 3,420
Items not affecting cash from operations:			
Deferred revenue	411	(570)	30
Depletion of mineral properties	-	15,585	21,239
Environmental services contract loss provision (note 15)	150	(1,653)	(185)
Silver streaming interest amount recognized	(72)	(9,892)	(13,873)
Depreciation of property, plant and equipment	2,906	2,915	2,807
Amortization of intangible assets	43	137	131
Share-based compensation expense	1,038	2,419	2,992
Finance costs, derivative gain and other	(598)	(173)	82
Write-down of inventory	-	886	-
Write-down (sale) of mineral properties	25,103	51,840	(6,346)
Write-down of property, plant and equipment	4,828	3,501	-
Loss on impaired long-term investments	-	2,160	-
Deferred income tax recovery	(2,854)	(11,854)	4,110
	(1,817)	4,851	14,407
Changes in non-cash working capital balances related to operations			
Decrease in accounts and other receivables	978	4,868	1,224
Decrease in inventories	20	908	(533)
(Increase) decrease in prepaid expenses and other current assets	(67)	105	(307)
Increase (decrease) in accounts payable and accrued liabilities	161	(7,195)	(825)
Increase (decrease) in income taxes payable	2	(130)	91
	(723)	3,407	14,057
<b>Cash Flows from Investing Activities</b>			
Expenditures on mining operations properties	(699)	(9,639)	(18,347)
Expenditures on exploration and evaluation properties	(5,652)	(10,429)	(10,163)
Purchase of property, plant and equipment	(136)	(2,041)	(4,976)
Receipt of proceeds on sale of mineral property	-	-	3,205
Receipt of up-front payment under AEG remediation services agreement	-	-	1,172
Decrease (increase) in restricted cash and deposits	60	(530)	(4,161)
	(6,427)	(22,639)	(33,270)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of shares	8,068	7,035	-
Issuance costs	(889)	(552)	-
Proceeds from exercise of shares options	-	140	560
Purchase of RSU settlement shares	-	(1,869)	-
	7,179	4,754	560
Increase (decrease) in Cash and Cash Equivalents	29	(14,478)	(18,653)
Cash and Cash Equivalents - Beginning of Year	8,610	23,088	41,741
Cash and Cash Equivalents - End of Year	8,639	8,610	23,088

**SUPPLEMENTAL CASH FLOW INFORMATION (see note 29)**

The accompanying notes are an integral part of these consolidated financial statements



**ALEXCO RESOURCE CORP.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

*(expressed in thousands of Canadian dollars)*

	Number of Shares	Amount	Warrants	Share Options and RSU's	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance - December 31, 2013</b>	<b>62,172,233</b>	<b>\$ 157,983</b>	<b>\$ -</b>	<b>\$ 11,092</b>	<b>\$ 7,741</b>	<b>\$ (75,405)</b>	<b>\$ (232)</b>	<b>\$ 101,179</b>
Net loss	-	-	-	-	-	(32,772)	-	(32,772)
Other comprehensive loss	-	-	-	-	-	-	48	48
Equity offering, net of issuance costs (see note 19)	7,015,000	6,102	1,342	-	-	-	-	7,444
Share-based compensation expense recognized	-	-	-	1,138	-	-	-	1,138
Share options forfeited or expired	-	-	-	(3,088)	3,088	-	-	-
Release of RSU settlement shares	148,333	623	-	(623)	-	-	-	-
<b>Balance - December 31, 2014</b>	<b>69,335,566</b>	<b>\$ 164,708</b>	<b>\$ 1,342</b>	<b>\$ 8,519</b>	<b>\$ 10,829</b>	<b>\$ (108,177)</b>	<b>\$ (184)</b>	<b>\$ 77,037</b>
<b>Balance - December 31, 2012</b>	<b>60,428,898</b>	<b>\$ 155,042</b>	<b>\$ -</b>	<b>\$ 11,113</b>	<b>\$ 5,364</b>	<b>\$ (24,955)</b>	<b>\$ (19)</b>	<b>\$ 146,545</b>
Net loss	-	-	-	-	-	(50,450)	-	(50,450)
Other comprehensive loss	-	-	-	-	-	-	(213)	(213)
Equity offering, net of issuance costs (see note 19)	2,100,000	4,442	-	-	-	-	-	4,442
Share-based compensation expense recognized	-	-	-	2,585	-	-	-	2,585
Exercise of share options	45,000	204	-	(65)	-	-	-	139
Share options forfeited or expired	-	-	-	(2,377)	2,377	-	-	-
Release of RSU settlement shares	43,335	164	-	(164)	-	-	-	-
Purchase of RSU settlement shares	(445,000)	(1,869)	-	-	-	-	-	(1,869)
<b>Balance - December 31, 2013</b>	<b>62,172,233</b>	<b>\$ 157,983</b>	<b>\$ -</b>	<b>\$ 11,092</b>	<b>\$ 7,741</b>	<b>\$ (75,405)</b>	<b>\$ (232)</b>	<b>\$ 101,179</b>
<b>Balance - December 31, 2011</b>	<b>60,039,064</b>	<b>\$ 154,154</b>	<b>\$ -</b>	<b>\$ 8,552</b>	<b>\$ 4,739</b>	<b>\$ (28,375)</b>	<b>\$ (10)</b>	<b>\$ 139,060</b>
Net income	-	-	-	-	-	3,420	-	3,420
Other comprehensive loss	-	-	-	-	-	-	(9)	(9)
Share-based compensation expense recognized	-	-	-	3,514	-	-	-	3,514
Exercise of share options	389,834	888	-	(328)	-	-	-	560
Share options forfeited or expired	-	-	-	(625)	625	-	-	-
<b>Balance - December 31, 2012</b>	<b>60,428,898</b>	<b>\$ 155,042</b>	<b>\$ -</b>	<b>\$ 11,113</b>	<b>\$ 5,364</b>	<b>\$ (24,955)</b>	<b>\$ (19)</b>	<b>\$ 146,545</b>

The accompanying notes are an integral part of these consolidated financial statements

**ALEXCO RESOURCE CORP.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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*(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)*

**1. Description of Business and Nature of Operations**

Alexco Resource Corp. ("Alexco" or the "Corporation") was incorporated under the Business Corporations Act (Yukon) on December 3, 2004 and commenced operations on March 15, 2005. Effective December 28, 2007, it was continued under the Business Corporations Act (British Columbia). The Corporation operates two principal businesses: a mining business, comprised of mineral exploration and mine development and operation in Canada, located in the Yukon Territory; and through its Alexco Environmental Group ("AEG"), an environmental services business, providing consulting, remediation solutions and project management services in respect of environmental permitting and compliance and site remediation, in Canada and the United States.

The Corporation is in the process of exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Corporation to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each mineral property. Furthermore, the acquisition of title to mineral properties is a complicated and uncertain process, and while the Corporation has taken steps in accordance with common industry practice to verify its title to the mineral properties in which it has an interest, there can be no assurance that such title will ultimately be secured. The carrying amounts of mineral properties are based on costs incurred to date, adjusted for depletion and impairments, and do not necessarily represent present or future values.

As of September 2013, Bellekeno mining operations were suspended in light of a sharply reduced silver price environment. Despite the suspension and resulting lack of cash flow from mining operations, the Corporation believes that based on its current cash position and cash flows generated from its environmental business it will have sufficient funds to meet its minimum obligations, including general corporate activities, for at least the next 12 months.

Alexco is a public company which is listed on the Toronto Stock Exchange (under the symbol AXR) and the NYSE MKT Equities Exchange (under the symbol AXU). The Corporation's corporate head office is located at Suite 1150, 200 Granville Street, Vancouver, BC, Canada, V6C 1S4.

**2. Basis of Preparation and Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and were approved for issue by the Board of Directors on March 23, 2015.

These consolidated financial statements have been prepared on a going concern basis under the historical cost method, except for derivative financial instruments, stock-based compensation and certain financial assets which have been measured at fair value. All figures are expressed in Canadian dollars unless otherwise indicated.

**3. Summary of Significant Accounting Policies**

The significant accounting policies used in the preparation of these financial statements are summarized below.

**(a) Basis of Consolidation**

The Corporation's consolidated financial statements include the accounts of the Corporation and its subsidiaries. Subsidiaries are entities controlled by the Corporation, where control is achieved by the Corporation being exposed to, or having rights to, variable returns from its involvement with the entity and having the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by Alexco, and are de-consolidated from the date that control ceases.

The following subsidiaries have been consolidated for all dates presented within these financial statements, and are wholly owned: Alexco Keno Hill Mining Corp. (formerly Alexco Resource

**ALEXCO RESOURCE CORP.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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*(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)*

Canada Corp., formerly 650399 B.C. Ltd.), Elsa Reclamation & Development Corporation Ltd. ("ERDC"), Alexco Exploration Canada Corp., Alexco Environmental Group Inc. (formerly Access Mining Consultants Ltd.), Alexco Environmental Group (U.S.) Inc. (formerly Alexco Resource U.S. Corp.) ("AEG US"), and Alexco Financial Guaranty Corp. ("AFGC").

All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

**(b) Cash and Cash Equivalents**

Cash and cash equivalents are unrestricted as to use and consist of cash on hand, demand deposits and short term interest-bearing investments with maturities of 90 days or less from the original date of acquisition and which can readily be liquidated to known amounts of cash. Redeemable interest bearing investments with maturities of up to one year are considered cash equivalents if they can readily be liquidated at any point in time to known amounts of cash, the initial period subject to an interest penalty on redemption is less than 90 days, and they are redeemable thereafter until maturity for invested value plus accrued interest.

**(c) Inventories**

Inventories include ore in stockpiles, concentrate and materials and supplies. Ore in stockpiles and concentrate are recorded at the lower of weighted average cost and net realizable value. Cost comprises all mining and processing costs incurred, including labor, consumables, production-related overheads, depreciation of production-related property, plant and equipment and depletion of related mineral properties. Net realizable value is estimated at the selling price in the ordinary course of business less applicable variable selling expenses. Materials and supplies are valued at the lower of cost and replacement cost, costs based on landed cost of purchase, net of a provision for obsolescence where applicable.

When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. When circumstances that caused the write-down no longer exist or when there is clear evidence of an increase in net realizable value, the amount of the write down is reversed.

**(d) Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment write-downs. The cost capitalized is determined by the fair value of consideration given to acquire the asset at the time of acquisition or construction, the direct cost of bringing the asset to the condition necessary for operation, and the estimated future cost of decommissioning and removing the asset. Repairs and maintenance expenditures are charged to operations, while major improvements and replacements which extend the useful life of an asset are capitalized.

Depreciation of property, plant and equipment is calculated using the following methods:

Heavy machinery and equipment	5 years straight-line
Land and buildings	20 years straight-line
Furniture and office equipment	5 years straight-line
Computer hardware	3 years straight-line
Computer software	2 years straight-line
Leasehold improvements	Straight-line over the term of lease
Roads	5 years straight-line
Camp and other site infrastructure	10 years straight-line
Ore-processing mill components	Variously between 5 and 30 years straight-line

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other gains or losses in earnings.

**(e) Mineral Properties**

*Exploration and Evaluation Properties*

The Corporation capitalizes exploration and evaluation expenses at cost for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable.

All direct and indirect costs relating to the exploration of specific properties with the objective of locating, defining and delineating the resource potential of the mineral interests on specific properties are capitalized as exploration and evaluation assets, net of any directly attributable recoveries recognized, such as exploration or investment tax credits.

At each reporting date, exploration and evaluation assets are evaluated and classified as mining operations assets upon completion of technical feasibility and determination of commercial viability.

Grassroots exploration expenditures incurred prior to the Corporation acquiring or obtaining the right to acquire a mineral property are expensed.

*Mining Operations Properties*

Mining operations properties are recorded at cost on a property-by-property basis. The recorded cost of mining operations properties is based on acquisition costs incurred to date, including capitalized exploration and evaluation costs and capitalized development costs, less depletion, recoveries and write-offs. Capitalized development costs include costs incurred to establish access to mineable resources where such costs are expected to provide a long-term economic benefit, as well as operating costs incurred, net of the proceeds from any sales generated, prior to the time the property achieves commercial production.

Depletion of mining operations properties is calculated on the units-of-production basis using estimated mine plan resources, such resources being those defined in the mine plan on which the applicable mining activity is based. The mine plan resources for such purpose are generally as described in an economic analysis supported by a technical report compliant with Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

**(f) Intangible Assets**

Customer relationships, rights to provide services and database assets acquired through business combinations, and acquired patents, are recorded at fair value at acquisition date. All of the Corporation's intangible assets have finite useful lives, and are amortized using the straight-line method over their expected useful lives as follows:

Customer relationships	5 years
Rights to provide services and database	4 years
Patents	Over remaining life

**(g) Impairment of Non-Current Non-Financial Assets**

The carrying amounts of non-current non-financial assets are reviewed and evaluated for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. Non-current non-financial assets include property, plant, equipment, mineral properties and finite-life intangible assets. If the recoverable amount is less than the carrying amount of the asset, an impairment loss is recognized and the asset is written down to recoverable value.

The recoverable amount is the higher of an asset's "fair value less cost of disposal" and "value-in-use". Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined, with a cash-generating unit being the smallest identifiable group of assets and liabilities that generate

*(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)*

cash inflows independent from other assets. Exploration and evaluation assets are each separately assessed for impairment, and are not allocated by the Corporation to a CGU for impairment assessment purposes. "Fair value less cost of disposal" is determined as the amount that would be obtained from the sale of the asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties. In assessing "value-in-use", the future cash flows expected to arise from the continuing use of the asset or cash-generating unit in its present form are estimated using assumptions that an independent market participant would consider appropriate, and are then discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or unit.

Where conditions that gave rise to a recognized impairment loss are subsequently reversed, the amount of such reversal is recognized into earnings immediately, though is limited such that the revised carrying amount of the asset or cash-generating unit does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit.

**(h) Silver Streaming Interest**

Advance payments received under the silver streaming interest acquired by Silver Wheaton Corp. ("Silver Wheaton") have been deferred and are being recognized on a units-of-production-sold basis, as a component of the cost of sales for that production. The amount recognized each period represents the proportion of silver ounces deliverable under the streaming interest on account of silver production sold that period, to the total ounces of silver which at the time are estimated as remaining to be delivered under the streaming interest. Also recognized within cost of sales each period is the actual or estimated market price of the silver ounces delivered or deliverable under the streaming interest on account of silver production sold that period, less the related per-ounce cash amount received or to be received from Silver Wheaton on such delivery.

**(i) Provisions**

*General*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The expense relating to any provision is presented in profit or loss net of any reimbursement. Provisions are discounted using a current risk-free pre-tax rate that reflects where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

*Decommissioning and Rehabilitation Provision*

The Corporation recognizes a decommissioning and rehabilitation provision for statutory, contractual, constructive or legal obligations to undertake reclamation and closure activities associated with property, plant, equipment and mineral properties, generally at the time that an environmental or other site disturbance occurs or a constructive obligation for reclamation and closure activities is determined. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Provisions are measured at the present value of the expected future expenditures required to settle the obligation, using a risk-free pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time, and adjusted for changes to the current market-based risk-free discount rate as well as changes in the estimated amount or timing of the expected future expenditures. The associated restoration costs are capitalized as part of the carrying amount of the related asset and then depreciated accordingly.

**(j) Revenue Recognition**

All revenue is measured at the fair value of the consideration received or receivable when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Corporation, and is subject to the provision that ultimate collection be reasonably assured at the time of recognition.

Revenue arising from sale of concentrate under the Corporation's off-take agreements is recognized when the significant risks and rewards of ownership have passed, generally at the time of delivery to the smelter and when title and insurance risk has passed to the customer. Revenue from the sale of concentrate is recorded net of charges for smelter treatment and refining. The exposure to changes in metal prices between initial revenue recognition and final settlement, which could occur up to a number of months subsequent to initial recognition, represents an embedded derivative. This embedded derivative is recorded in accounts receivable and marked-to-market each period until final settlement occurs, with changes in fair value classified as an adjustment to revenue. All amounts received in respect of payable metals within concentrate are accounted for on a co-product basis and are included in revenue.

Revenue from environmental services is recognized with reference to the stage of completion, based on an output appropriate to the particular service contract, such as performance of agreed service deliverables, or provision of billable hours under straight hourly bill contracts. Payments received prior to recognition of the related revenue are recorded as deferred revenue.

**(k) Share-Based Compensation and Payments**

The cost of incentive share options and other equity-settled share-based compensation and payment arrangements is recorded based on the estimated fair value at the grant date and charged to earnings over the vesting period. With respect to incentive share options, grant-date fair value is measured using the Black-Scholes option pricing model. With respect to restricted share units, grant-date fair value is determined by reference to the share price of the Corporation at the date of grant. Where share-based compensation awards are subject to vesting, each vesting tranche is considered a separate award with its own vesting period and grant-date fair value. Share-based compensation expense is recognized over the tranche's vesting period by a charge to earnings, based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

**(l) Flow-Through Shares**

The proceeds from the offering of flow-through shares are allocated between the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the market value of the shares and the amount the investors pay for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in the results of operations in the period the eligible exploration expenditures are incurred.

**(m) Warrants**

When the Corporation issues units that are comprised of a combination of shares and warrants, the value is assigned to shares and warrants based on their relative fair values. The fair value of the shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a Black-Scholes option pricing model.

**(n) Current and Deferred Income Taxes**

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in profit or loss except to the extent that they relate to a business combination or to items recognized directly in equity or in other comprehensive income.

Current income taxes are the expected taxes payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous periods.

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Deferred income taxes are recognized using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. However, deferred income taxes are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income taxes are determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are presented as non-current in the financial statements.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right of offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

**(o) Translation of Foreign Currencies**

The financial statements of each entity in the group are measured using the currency of the primary economic environment in which each entity operates (the “functional currency”). The consolidated financial statements are presented in Canadian dollars.

The functional currency of all entities in the Corporation group other than AEG US is the Canadian dollar, while the functional currency of AEG US is the United States dollar. The financial statements of AEG US are translated into the Canadian dollar presentation currency using the current rate method as follows:

- Assets and liabilities – at the closing rate at the date of the statement of financial position.
- Income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates).
- All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from the item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive income.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

**(p) Earnings or Loss Per Share**

Basic earnings per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per share is calculated using the treasury share method whereby all “in the money” options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

**(q) Financial Instruments**

Financial assets and financial liabilities, including derivative instruments, are initially recognized at fair value on the balance sheet when the Corporation becomes a party to their contractual provisions. Measurement in subsequent periods depends on the financial instrument's classification.

*Loans and Receivables*

Cash and cash equivalents and accounts and other receivables (other than embedded derivatives) are measured at amortized cost. Where necessary, accounts and other receivables are recorded net of allowances for uncollectible amounts.

*Financial Assets at Fair Value Through Profit or Loss*

Derivative instruments, including embedded derivatives included within accounts receivable arising from sales of concentrates, are classified as fair value through profit or loss and accordingly are measured at fair value. Unrealized gains and losses on embedded derivatives arising from the sale of concentrates are recognized as adjustments to revenue. Unrealized gains and losses on other derivatives, if any, are recorded as part of other gains or losses in earnings.

*Held-to-Maturity Investments*

Investments, including term deposits not included in cash equivalents, with fixed or determinable payments and fixed maturity and which the Corporation has the intention and ability to hold to maturity are classified as held to maturity and thus are measured at amortized cost using the effective interest method.

*Available-for-Sale Financial Assets*

Investments are designated as available-for-sale and measured at fair value, with unrealized gains and losses recognized in other comprehensive income. If a decline in fair value is significant or prolonged, it is deemed to be other-than-temporary and the loss is recognized in earnings. Available-for-sale investments are recorded as non-current assets unless management intends to dispose of them within twelve months of the balance sheet date.

*Financial Liabilities*

Financial liabilities include accounts payable and accrued liabilities, and are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

*Impairment and Uncollectibility of Financial Assets*

At each reporting date, the Corporation assesses whether there is objective evidence of impairment of any financial asset measured at other than fair value, or available for sale financial assets where a decline in fair value has been recognized in other comprehensive income. If such evidence exists, the Corporation recognizes an impairment loss.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

**(r) Fair Value Measurement**

Where fair value is used to measure assets and liabilities in preparing these financial statements, it is estimated at the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market



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conditions. Fair values are determined from inputs that are classified within the fair value hierarchy defined under IFRS as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs for the asset or liability that are unobservable

#### **4. New and Revised Accounting Standards Adopted**

The following new and revised standards and amendments are effective for annual periods beginning on or after January 1, 2014, and accordingly have now been adopted by the Corporation. The adoption of these standards and amendments has had no significant impact on the Corporation's consolidated financial statements.

- Amendments to IAS 32, Financial Instruments: Presentation (effective January 1, 2014) clarifies the application of the offsetting rules and requires additional disclosure on financial instruments subject to netting arrangements.
- IAS 36, Impairment of Assets (effective January 1, 2014) modifies some of the disclosure requirements regarding the recoverable amount of non-financial assets.
- IFRIC 21, Levies (effective January 1, 2014) provides guidance on when to recognise a liability for a levy imposed by a government, other than those levies within the scope of other standards.
- IFRS 2, Share-based Payments (effective for annual periods beginning on or after July 1, 2014) clarifies the definition of a vesting condition and separately defines performance and service conditions.
- IFRS 8, Operating Segments (effective for annual periods beginning on or after July 1, 2014) requires disclosure of the judgements made by management in aggregating operating segments, and a reconciliation of segment assets to the total assets when segment assets are reported.
- IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after July 1, 2014) clarifies that the portfolio exception in IFRS 13, which allows fair value measurement of a group of financial assets and liabilities on a net basis, applies to all contracts within the scope of IAS 39 or IFRS 9.
- IAS 24 Related Party Disclosures (effective for annual periods beginning on or after July 1, 2014) requires a reporting entity to include as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective at December 31, 2014. These accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements:

- IFRS 7, Financial Instruments Disclosures (effective January 1, 2018) requires new disclosures resulting from the amendments to IFRS 9.
- IFRS 9, Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and liabilities.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

#### **5. Critical Judgements and Major Sources of Estimation Uncertainty**

The preparation of the consolidated financial statements requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements. Estimates are continuously evaluated and are based on management's experience and

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expectations of future events that are believed to be reasonable under the circumstances. The estimates management makes in this regard include those regarding future commodity prices and foreign currency exchange rates, which are an important component of several estimates and assumptions management must make in preparing the financial statements, including but not limited to estimations and assumptions regarding the evaluation of the carrying amount of mineral properties and other assets, the estimation of decommissioning and rehabilitation provisions, the estimation of revenues and the value of the embedded derivative related to sales of concentrate, and the estimation of the net realizable value of inventories. Management bases its estimates of future commodity prices and foreign currency exchange rates primarily on consensus investment analyst forecasts, which are tracked and updated as published on generally a quarterly basis. Actual outcomes can differ from these estimates.

The most significant judgments and estimates made by management in preparing the Corporation's financial statements are described as follows:

- *Mineral Resources*

The determination of the Corporation's estimated mineral resources by appropriately qualified persons requires significant judgements regarding the interpretation of complex geological and engineering data including the size, depth, shape and nature of the deposit and anticipated plans for mining, as well as estimates of future commodity prices, foreign exchange rates, capital requirements and production costs. These mineral resource estimates are used in many determinations required to prepare the Corporation's financial statements, including evaluating the recoverability of the carrying amount of its non-current non-financial assets; determining rates of depreciation, depletion and amortization; determining the recognition in income each period of the amount of advance payments received under the silver streaming interest; and estimating amounts of deferred income taxes.

- *Impairment of Non-Current Non-Financial Assets*

The Corporation reviews and evaluates the carrying value of each of its non-current non-financial assets for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. The identification of such events or changes and the performance of the assessment requires significant judgment. Furthermore, management's estimates of many of the factors relevant to completing this assessment, including commodity prices, foreign currency exchange rates, mineral resources, and operating, capital and reclamation costs, are subject to risks and estimation uncertainties that may further affect the determination of the recoverability of the carrying amounts of its non-current non-financial assets.

In the preparation of the Corporation's December 31, 2014 consolidated financial statements, certain indicators of potential impairment were identified, and a review of the carrying amounts of non-current non-financial assets was carried out as a result. See note 13 for details on the significant judgements, estimates and assumptions applied in carrying out this review.

- *Decommissioning and Rehabilitation Provision*

Management's determination of the Corporation's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required, the additional contingent mitigation measures it identifies as potentially being required and its assessment of the likelihood of such contingent measures being required, and its estimate of the probable costs and timing of such activities and measures. Significant judgements must be made when determining such reclamation and closure activities and measures required and potentially required.

**ALEXCO RESOURCE CORP.**  
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**6. Cash and Cash Equivalents**

	<b>December 31 2014</b>	<b>December 31 2013</b>
Cash at bank and on hand	\$ 2,526	\$ 4,855
Short-term bank deposits	6,113	3,755
	<b>\$ 8,639</b>	<b>\$ 8,610</b>

**7. Accounts and Other Receivables**

	<b>December 31 2014</b>	<b>December 31 2013</b>
Trade receivables	\$ 2,922	\$ 3,264
Interest and other	1,508	2,150
Less: allowance for doubtful accounts	(479)	(485)
	<b>\$ 3,951</b>	<b>\$ 4,929</b>

**8. Inventories**

	<b>December 31 2014</b>	<b>December 31 2013</b>
Ore in stockpiles	\$ 4,269	\$ 4,269
Materials and supplies	971	991
	<b>\$ 5,240</b>	<b>\$ 5,260</b>

As of December 31, 2014, the Company held ore in stockpiles of \$4,269,000 (2013 - \$4,269,000). Due to the expected timing of production recommencing, this amount was reclassified as a non-current asset as of December 31, 2014. During the year ended December 31, 2014, the cost of inventories recognized as an expense and included in mining cost of sales was \$nil (2013 - \$44,714,000; 2012 - \$61,351,000), and also included in mining cost of sales were write-downs of lead concentrate inventory totaling \$nil (2013 - \$886,000; 2012 - \$nil) (see note 21).

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**9. Restricted Cash and Deposits**

	<b>December 31 2014</b>	<b>December 31 2013</b>
Security for remediation services agreement	\$ 5,800	\$ 4,992
Security for decommissioning obligations	4,186	4,173
Other	229	295
Restricted cash and deposits	10,215	9,460
Less: Current portion	1,063	-
	<b>\$ 9,152</b>	<b>\$ 9,460</b>

Security for remediation services agreement of \$5,800,500 (US\$5,000,000) as at December 31, 2014 (2013 – US\$5,000,000; 2012 - US\$5,000,000 ) represents security that has been posted by AEG US in support of a cost performance commitment provided under an environmental consulting and remediation services agreement with a third party customer. The current portion of \$1,063,000 is the estimated security that will be applied to the environmental consulting and remediation services agreement during 2015.

**10. Long-term Investments**

	<b>December 31 2014</b>	<b>December 31 2013</b>
Common shares	\$ 597	\$ 525
Warrants	-	14
	<b>\$ 597</b>	<b>\$ 539</b>

As of December 31, 2014, Alexco held 75,000 common shares of Till Capital Ltd. ("Till Capital") (formerly Americas Bullion Royalty Corp., formerly Golden Predator Corp.). The Corporation previously held 37,500 purchase warrants exercisable for a price of \$115 per share, which expired on September 25, 2014.

During the year ended December 31, 2014, Alexco recorded a fair value adjustment gain (loss), pre-tax, to the common shares in the amount of \$72,000 (2013 – (\$2,062,000); 2012 - \$(32,000)) to other comprehensive loss. During the second quarter of 2013, Alexco also recorded an impairment charge against the common shares investment in Till Capital in the amount of \$1,785,000. That amount plus subsequent fair value adjustment losses, totaling \$2,160,000, have been recycled from other comprehensive loss to current loss.

**ALEXCO RESOURCE CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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*(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)*

**11. Property, Plant and Equipment**

<b>Cost</b>	<b>Land and Buildings</b>	<b>Camp, Roads, and Other Site</b>	<b>Ore Processing Mill</b>	<b>Heavy Machinery and Equipment</b>	<b>Leasehold Improvements &amp; Other</b>	<b>Total</b>
<b>December 31, 2012</b>	\$ 1,205	\$ 5,867	\$ 26,019	\$ 6,492	\$ 1,245	\$ 40,828
Additions	159	190	241	1,267	49	1,906
Write-downs		(390)	(2,628)	(483)	-	(3,501)
<b>December 31, 2013</b>	1,364	5,667	23,632	7,276	1,294	39,233
Additions	-	-	264	14	11	289
Write-downs		(463)	(3,927)	(438)	-	(4,828)
Disposals	-	-	-	(78)	-	(78)
<b>December 31, 2014</b>	\$ 1,364	\$ 5,204	\$ 19,969	\$ 6,774	\$ 1,305	\$ 34,616

<b>Accumulated Depreciation</b>	<b>Land and Buildings</b>	<b>Camp, Roads, and Other Site</b>	<b>Ore Processing Mill</b>	<b>Heavy Machinery and Equipment</b>	<b>Leasehold Improvements &amp; Other</b>	<b>Total</b>
<b>December 31, 2012</b>	\$ 35	\$ 2,251	\$ 3,494	\$ 3,152	\$ 1,036	\$ 9,968
Depreciation	60	665	1,660	1,006	64	3,455
<b>December 31, 2013</b>	95	2,916	5,154	4,158	1,100	13,423
Depreciation	60	597	1,554	1,033	57	3,301
Disposal	-	-	-	(43)	-	(43)
<b>December 31, 2014</b>	\$ 155	\$ 3,513	\$ 6,708	\$ 5,148	\$ 1,157	\$ 16,681

<b>Net book Value</b>	<b>Land and Buildings</b>	<b>Camp, Roads, and Other Site</b>	<b>Ore Processing Mill</b>	<b>Heavy Machinery and Equipment</b>	<b>Leasehold Improvements &amp; Other</b>	<b>Total</b>
<b>December 31, 2012</b>	\$ 1,170	\$ 3,616	\$ 22,525	\$ 3,340	\$ 209	\$ 30,860
<b>December 31, 2013</b>	\$ 1,269	\$ 2,751	\$ 18,478	\$ 3,118	\$ 194	\$ 25,810
<b>December 31, 2014</b>	\$ 1,209	\$ 1,691	\$ 13,261	\$ 1,626	\$ 148	\$ 17,935

During the year ended December 31, 2014, the Corporation recorded total depreciation of property, plant and equipment of \$3,301,000 (2013 – \$3,455,000; 2012 - \$3,480,000), of which \$2,906,000 (2013 – \$2,915,000; 2012 - \$2,632,000) has been charged to income with \$nil (2013 – \$1,997,000; 2012 - \$2,356,000) recorded to mining cost of sales, \$307,000 (2013 – \$156,000; 2012 - \$86,000) recorded in environmental services cost of sales and \$2,599,000 (2013 – \$762,000; 2012 - \$190,000) reflected under general expenses and mine site care and maintenance.

Of the balance, \$395,000 (2013 – \$448,000; 2012 - \$671,000) was related to property, plant and equipment used in exploration activities and has been capitalized to mineral properties, and the difference reflects the changes in depreciation capitalized within opening and ending ore and concentrate inventories for the period.

On December 31, 2014, the Corporation recorded an impairment charge to property, plant and equipment totaling \$4,828,000 (2013 - \$3,501,000; 2012 - \$nil) (see note 13).

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**12. Mineral Properties**

	December 31, 2013	Expenditures Incurred	Depletion Recognized	Written Down	December 31 2014
<b>Mineral Properties</b>					
Keno Hill District Properties –					
Bellekeno	\$ 17,715	\$ 278	\$ -	\$ (9,844)	\$ 8,149
Lucky Queen	9,084	90	-	(7,250)	1,924
Onek	807	447	-	(999)	255
McQuesten	3,670	20	-	-	3,690
Silver King	6,986	168	-	-	7,154
Flame & Moth	15,002	5,465	-	-	20,467
Birmingham	9,157	560	-	-	9,717
Elsa Tailings	884	-	-	-	884
Other Keno Hill Properties	12,352	-	-	(7,010)	5,342
Other	190	-	-	-	190
<b>Total</b>	<b>\$ 75,847</b>	<b>\$ 7,028</b>	<b>\$ -</b>	<b>\$ (25,103)</b>	<b>\$ 57,772</b>

	December 31, 2012	Expenditures Incurred	Depletion Recognized	Written Down	December 31 2013
<b>Mineral Properties</b>					
Keno Hill District Properties –					
Bellekeno	\$ 48,002	\$ 3,788	\$ (13,893)	\$ (20,182)	\$ 17,715
Lucky Queen	15,871	2,358	-	(9,145)	9,084
Onek	19,120	4,200	-	(22,513)	807
McQuesten	3,650	20	-	-	3,670
Silver King	6,983	3	-	-	6,986
Flame & Moth	11,374	3,628	-	-	15,002
Birmingham	9,003	154	-	-	9,157
Elsa Tailings	858	26	-	-	884
Other Keno Hill Properties	12,170	182	-	-	12,352
Other	190	-	-	-	190
<b>Total</b>	<b>\$ 127,221</b>	<b>\$ 14,359</b>	<b>\$ (13,893)</b>	<b>\$ (51,840)</b>	<b>\$ 75,847</b>

	Mining Operations Properties	Exploration and Evaluation Properties	Total
<b>December 31, 2014</b>			
Cost	\$ 129,255	\$ 54,454	\$ 183,709
Accumulated depletion and write-downs	118,927	7,010	125,937
Net book value	\$ 10,328	\$ 47,444	\$ 57,772
<b>December 31, 2013</b>			
Cost	\$ 128,440	\$ 48,241	\$ 176,681
Accumulated depletion and write-downs	100,834	-	100,834
Net book value	\$ 27,606	\$ 48,241	\$ 75,847
<b>December 31, 2012</b>			
Cost	\$ 83,103	\$ 79,219	\$ 162,322
Accumulated depletion and write-downs	35,101	-	35,101
Net book value	\$ 48,002	\$ 79,219	\$ 127,221

During the year ended December 31, 2014, the Corporation recognized depletion with respect to Bellekeno totaling \$nil (2013 – \$13,893,000; 2012 - \$20,827,000), of which \$nil (2013 – \$15,585,000; 2012 - \$21,239,000) is included in mining cost of sales and the difference reflects the changes in depletion charge included within opening and ending ore and concentrate inventories for the period. Depletion for Bellekeno in 2013 and 2012 was based 100% on indicated resources, as defined in Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

**(a) Keno Hill District Properties**

The Corporation's mineral interest holdings in the Keno Hill District, located in Canada's Yukon Territory, are comprised of a number of properties.

The majority of the Corporation's mineral rights within the Keno Hill District were purchased from the interim receiver of United Keno Hill Mines Limited and UKH Minerals Limited (collectively, "UKHM") in 2006 and are held by ERDC. As a condition of that purchase, a separate agreement was entered into between Alexco, ERDC, the Government of Canada and the Government of Yukon (the "Subsidiary Agreement"), under which the Government of Canada indemnified ERDC and Alexco from and against all liabilities arising directly or indirectly from the pre-existing condition of the former UKHM mineral rights. The Subsidiary Agreement also provided that ERDC may bring any mine into production on the former UKHM mineral rights by designating a production unit from the mineral rights relevant to that purpose and then assuming responsibility for all costs of the production unit's water related care and maintenance and water related components of closure reclamation.

In addition, the Subsidiary Agreement detailed the basis under which ERDC was retained by the Government of Canada as a paid contractor responsible on a continuing basis for the environmental care and maintenance and ultimate closure reclamation of the former UKHM mineral rights. It provided that ERDC share the responsibility for the development of the ultimate closure reclamation plan with the Government of Canada, for which it would receive fees of 65% of agreed commercial contractor rates, and this plan development is currently ongoing. Upon acceptance and regulatory approval, the closure reclamation plan will be implemented by ERDC at full agreed contractor rates. During the period required to develop the plan and until the closure plan is executed, ERDC is also responsible for carrying out the environmental care and maintenance at various sites within the UKHM mineral rights, for a fixed annual fee adjusted each year for certain operating and inflationary factors and determined on a site-by-site basis. Under the Subsidiary Agreement, the portion of the annual fee amount so determined which was billable by ERDC in respect of each site reduced by 15% each year until all site-specific care and maintenance activities were replaced by closure reclamation activities; provided however that should a closure reclamation plan be prepared but not accepted and approved, the portion of annual fees billable by ERDC would revert to 85% until the Subsidiary Agreement was either amended or terminated. ERDC receives agreed commercial contractor rates when retained by government to provide environmental services in the Keno Hill District outside the scope of care and maintenance and closure reclamation planning under the Subsidiary Agreement.

In July 2013, the Corporation executed an amended and restated Subsidiary Agreement, the ARSA, with the Government of Canada. Recognizing that developing the closure reclamation plan is more complicated than originally anticipated, the ARSA provides for the Government of Canada to contribute a higher proportion of closure plan development costs than provided for under the Subsidiary Agreement, retroactive to 2009. As a result, included in revenues for AEG for the year ended December 31, 2013 is \$1,983,000 in retroactive fees. Going forward, ERDC will receive 95% of agreed commercial contractor rates for ongoing development of the closure reclamation plan. Furthermore, with respect to care and maintenance activity during the closure reclamation planning phase, the original reducing fee scale is replaced by a fixed fee of \$850,000 per year, representing approximately 50% of estimated fully-billable care and maintenance fees. As a result, included in AEG 2013 cost of sales is an \$850,000 reduction in the Corporation's environmental services contract loss provision.

Other Subsidiary Agreement terms unchanged by the ARSA include that ERDC is required to pay into a separate reclamation trust a 1.5% net smelter return royalty, to an aggregate maximum of \$4 million for all production units, from any future production from the former UKHM mineral rights, commencing once earnings from mining before interest, taxes and depreciation exceed actual exploration costs, to a maximum of \$6.2 million, plus actual development and construction capital. That commencement threshold was achieved during the year ended December 31, 2013, and as at December 31, 2014 a total of \$32,000 in such royalties had been paid. Additionally, a portion of any future proceeds from sales of the acquired UKHM assets must also be paid into the separate reclamation trust. Also substantially unchanged by the ARSA are the pre-existing conditions indemnification and the right to bring any mine into production on the former UKHM mineral rights.

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The rights of the Government of Canada under the Subsidiary Agreement and the ARSA are supported by a general security agreement over all of the assets of ERDC.

The ARSA can be terminated at ERDC's election should a closure reclamation plan be prepared but not accepted and approved, and at the Governments' election should ERDC be declared in default under the ARSA.

**(b) Mining Operations**

The Corporation's mining operations reflect production from one mine, Bellekeno, a primary silver mine with lead, zinc and gold by-products. During the second quarter of 2013, both the Lucky Queen and Onek properties were reclassified from exploration and evaluation assets to mining operations assets as a result of the receipt of remaining operating permits, though neither property has as yet been placed into production.

From September 2013, Bellekeno mining operations have been suspended in light of a sharply reduced silver price environment. For the year ended December 31, 2014 the Corporation recorded an impairment charge to the Bellekeno, Lucky Queen and Onek mineral properties totaling \$18,093,000 (2013 - \$51,840,000) (see note 13).

**Keno Hill Royalty Encumbrances**

As noted above, under the Subsidiary Agreement and unchanged by the ARSA, the former UKHM mineral rights are subject to a 1.5% net smelter return royalty, to an aggregate maximum of \$4 million for all production units. Certain of the Corporation's non-UKHM mineral rights located within or proximal to the McQuesten property are subject to a net smelter return royalty ranging from 0.5% to 2%. Certain other of the non-UKHM mineral rights located within the McQuesten property are subject to a separate net smelter return royalty of 2% under which the Corporation makes an annual advance royalty payment of \$20,000 per year. A limited number of the Corporation's non-UKHM mineral rights located throughout the remainder of the Keno Hill District are subject to net smelter return royalties ranging from 1% to 1.5%.

**(c) Brewery Creek**

Effective September 26, 2012, the Corporation completed the sale of the remainder of its interest in the Brewery Creek property to a third party, Till Capital, for proceeds of \$3,205,000 cash plus 7,500,000 common shares of Till Capital and purchase warrants to acquire a further 3,750,000 common shares for a price of \$1.15 per share at any time until September 25, 2014, as well as a net smelter return royalty on gold production from Brewery Creek of between 2% and 2.75%. As a result, and including reversal of the decommissioning and rehabilitation provision related to the property, a gain of \$6,346,000 was included in net income in 2012.

**13. Impairment**

During the years ended December 31, 2014 and 2013, the carrying amount of the Corporation's net assets exceeded its market capitalization, which was considered an indicator of potential impairment of the carrying amount of its non-current non-financial assets. In addition, metal prices have been volatile and silver has experienced a significant decline through these periods. In 2014 silver prices decreased from a high of \$22.05 per ounce to a low of \$15.97 per ounce. As a result, at both December 31, 2014 and June 30, 2013, the Corporation carried out a review of the carrying amounts of the non-current non-financial assets in its mining operations segment, which segment has been determined to be a cash generating unit ("CGU") for this purpose. For the purpose of the impairment tests, the Flame & Moth exploration property was combined with the mining operations assets as this is an integral part of the current mine plan.

In carrying out these reviews, the Corporation was required to make significant judgements, including with respect to the allocation of assets to the mining operations CGU, as well as the selection and application of appropriate valuation methods. The Corporation was also required to make significant estimates and assumptions, including with respect to mine plan tonnages and grades, capital and operating costs, future



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commodity prices, foreign currency exchange rates, discount rates and net asset value multiples. By their nature, such estimates and assumptions are subject to significant uncertainty.

Recoverable amounts were determined based on estimated fair value less cost of disposal ("FVLCD"). FVLCD for the mining operations CGU was determined based on the net present value of life-of-mine after-tax future cash flows expected to be generated within that unit. Factors were also applied for the expected benefit of potential operating cost optimizations. This estimate of FVLCD is categorized as Level 3 in the fair value hierarchy (see note 3(q)). The projected cash flows are based on the following key assumptions:

- Total estimated production is over a 5.75 year mine life using all mineral resources that existed at December 31, 2014;
- Consensus metal prices and consensus foreign exchange rates;
- US\$20,000,000 payment is made to Silver Wheaton under the June 16, 2014 amended silver streaming agreement (see note 17);
- Average silver grades of 754g/t;
- Operating costs estimated at \$255 per tonne milled;
- Total development and sustaining costs estimated at approximately \$73 million over life of mine; and
- Discount rate of 8%

Consensus metal and foreign exchange rate estimates for December 31, 2014 are summarized as follows:

	2016	2017	2018	2019	Long-term
Silver prices (US\$/oz)	\$ 16.75	\$ 17.50	\$ 18.00	\$ 19.50	\$ 20.00
Gold prices (US\$/oz)	\$ 1,225	\$ 1,250	\$ 1,250	\$ 1,290	\$ 1,300
Lead prices (US\$/oz)	\$ 1.00	\$ 1.04	\$ 1.05	\$ 0.94	\$ 0.94
Zinc prices (US\$/oz)	\$ 1.08	\$ 1.15	\$ 1.18	\$ 1.00	\$ 1.00
Foreign exchange rates (USD/CAD)	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85

Based on the results of its review, the Corporation recognized an impairment loss at December 31, 2014 totaling \$22,921,000 (June 30, 2013 - \$55,341,000), attributed as follows:

	Reporting Segment	Impairment Loss December 31, 2014 <sup>1</sup>	Impairment Loss June 30, 2013
Mineral properties:			
Bellekeno	Mining operations	\$ 9,844	\$ 20,182
Lucky Queen	Mining operations	7,250	9,145
Onek	Mining operations	999	22,513
Total		18,093	51,840
Property, plant and equipment:			
Ore processing mill	Mining operations	3,927	2,628
Heavy machinery and equipment	Mining operations	438	483
Camp, roads and other site	Mining operations	463	390
Total		4,828	3,501
<b>Total impairment loss</b>		<b>\$ 22,921</b>	<b>\$ 55,341</b>

1) Impairment loss was prorated over the mining assets based on book value

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The non-current non-financial assets in the mining operations segment were written down to their recoverable amount. Consequently, any significant negative change in the key assumptions made in determining the recoverable amount could result in an additional impairment loss.

For December 31, 2014, sensitivities were carried out on the key assumptions used in the discounted cash flow model. Prior to the impairment charge, the carrying value of the CGU at December 31, 2014 was approximately \$60,500,000. The change to the pre-tax impairment charge as a result of movements in the underlying key assumptions would be:

	5% Change	10% Change
Average metal price	\$ 15,005	\$ 31,362
Average cost per tonne	\$ 7,136	\$ 14,272
Foreign exchange rates	\$ 11,798	\$ 22,523
	1% Change	2% Change
Discount rate applied	\$ 3,495	\$ 6,758

In addition, management conducted a review of its Exploration and evaluation assets, which are each separately assessed for impairment, and are not allocated by the Corporation to a CGU for impairment assessment purposes except the Flame & Moth mineral property. As at December 31, 2014, and pursuant to IFRS 6 *Exploration For and Evaluation of Mineral Resources*, indicators were identified which suggested the carrying amounts of certain exploration and evaluation assets may exceed their recoverable amount. Included in Other Keno Hill Properties were a number of exploration properties that the Corporation did not have any near-term plans to conduct exploration activities. As a result exploration and evaluation properties were impaired by \$7,010,000. As at December 31, 2013 no impairment indicators were identified.

**14. Accounts payable and accrued liabilities**

	December 31 2014	December 31 2013
Trade payables	\$ 1,287	\$ 1,134
Accrued liabilities and other	1,088	1,086
	\$ 2,375	\$ 2,220

**15. Environmental Services Contract Loss Provision**

	December 31 2014	December 31 2013
Balance – beginning of year	\$ 112	\$ 1,767
Increase (reduction) due to changes in loss estimation	35	(743)
Increase (reduction) due to current period loss realization	116	(911)
Balance – end of year	263	113
Less: current portion	(59)	(1)
	\$ 204	\$ 112

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As described in note 12(a), ERDC is responsible for carrying out environmental care and maintenance at various sites within the former UKHM mineral rights until acceptance and regulatory approval are obtained for the closure reclamation plan, for a fixed annual fee adjusted each year for certain operating and inflationary factors and determined on a site-by-site basis. Under the original Subsidiary Agreement, the portion of the site-by-site adjusted annual fee determination basis which was billable by ERDC reduced by 15% each year until all site-specific care and maintenance activities were replaced by closure reclamation activities. As a result, an environmental services contract loss provision was previously recognized to reflect aggregate future losses estimated to be realized with respect to such care and maintenance activities.

During the continual review of this contract loss provision estimate and based on ongoing discussions with Government regarding the process and timing that will be required to obtain acceptance and regulatory approval of the closure reclamation plan, at December 31, 2012 management extended the estimated date by which the care and maintenance phase will end to March 2015, which resulted in an increase of \$333,000. At December 31, 2013, this estimated date was further extended to August 2018, resulting in an increase of \$107,000 in the fourth quarter of 2013.

With the execution of the ARSA (see note 12(a)), the original reducing fee scale is replaced by a fixed fee of \$850,000 per year, representing approximately 50% of estimated fully-billable fees. As a result, the environmental services contract loss provision was reduced by \$850,000 in the third quarter of 2013.

All changes in the contract loss provision are recorded within AEG cost of sales for the period in which they occur.

**16. Deferred Revenue**

	<b>December 31 2014</b>	<b>December 31 2013</b>
Deferred revenue – total	\$ 1,817	\$ 1,406
Less: current portion	(1,338)	(172)
	<b>\$ 479</b>	<b>\$ 1,234</b>

In January, 2012, AEG US, a wholly owned subsidiary of the Corporation and a member of AEG, entered into an agreement with a third party customer to provide certain environmental consulting and remediation services. Under the agreement, AEG US provided certain cost performance commitments, for which an up-front payment of US\$1,175,000 (CAD\$1,363,118) was received. The Corporation placed US\$5,000,000 (CAD\$5,800,500) into escrow in support of this cost performance commitment, which is recorded in restricted cash and deposits.

The up-front payment of US\$1,175,000 (CAD\$1,363,118) was recorded in deferred revenue and is being recognized in revenue based on the percentage completion of the services under the remediation services agreement.

The remaining deferred revenue amounts relate to the care and maintenance phase under the Subsidiary Agreement (see note 12(a)).

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**17. Silver Streaming Interest**

	<b>December 31 2014</b>	<b>December 31 2013</b>
Balance – beginning of year	\$ 18,190	\$ 28,082
Amount recognized in mine site care and maintenance	(72)	(9,892)
Balance – end of year	\$ 18,118	\$ 18,190

Under a silver streaming interest held by Silver Wheaton Corp. (“Silver Wheaton”), Silver Wheaton is purchasing from the Corporation an amount of refined silver equal to 25% of the payable silver produced by the Corporation from its Keno Hill District mineral properties, if and when such payable silver is delivered to an off-taker and as the Corporation is paid for such payable silver. Silver Wheaton has paid the Corporation advance amounts totaling US\$50 million, the last of which was received in January 2011, and for each ounce of silver purchased must pay the Corporation an additional cash amount of the lesser of US\$3.90 (increasing by 1% per annum after the third year of full production) and the prevailing market price at the time of delivery. Under the agreement, the balance of the amounts advanced is reduced on each silver delivery by the excess of the prevailing market value of the silver delivered over the per-ounce cash amount paid by Silver Wheaton at the time. After the initial 40 year term of the agreement, the Corporation is required to refund the balance of any advance amounts received and not yet reduced through silver deliveries. The Corporation would also be required to refund the balance of advance amounts received and not yet reduced if Silver Wheaton exercised its right to terminate the streaming interest in an event of default by the Corporation. The Corporation will be required to refund a pro-rata portion of the balance of the advance amounts not yet reduced to the extent the Bellekeno mine has not achieved production throughput of 400 tonnes of ore per day over a 30 day period by December 31, 2016, extended as more fully described below. The maximum amount of any such refund is US\$9,750,000. Commencing January 2014, and ending the earlier of December 31, 2016 and the completion of the 400 tonnes per day throughput test, as extended by the same amendment, the Corporation may be required to sell more than 25% of the payable silver produced to Silver Wheaton, depending on the extent by which the 400 tonnes per day test has not yet been met (the “Additional Silver Delivery Requirement”). In support of its rights under the silver streaming interest, Silver Wheaton holds a security interest in substantially all of the Corporation’s plant and equipment and mineral properties located within the Keno Hill District.

Effective June 16, 2014, the Corporation entered into an agreement with Silver Wheaton to amend the silver streaming interest, such that the fixed US\$3.90 per ounce silver streaming production payment is replaced with a variable production payment based on the spot price of silver. The newly agreed variable production payment will be defined by a pricing curve with an apex at US\$19.45 spot silver price where Silver Wheaton will make a production payment to the Corporation of US\$18.00 per ounce of silver delivered; that payment decreases by US\$0.91 per ounce for each US\$1.00 increase or decrease in silver price, returning to a fixed US\$3.90 per ounce for spot silver prices of US\$35.00 per ounce and higher. The amendment will be effective for a 10 year term from the time mining production re-commences in the Keno Hill District (the “Re-Commencement Date”), with an option for the Corporation to extend the amendment for another 5 or 10 years for an additional US\$10 million or US\$20 million, respectively. In addition, the Silver Wheaton area of interest will be expanded to include additional currently owned and future acquired properties of the Corporation within one kilometer of the Corporation’s existing holdings in the Keno Hill District.

The amendments to the silver streaming interest are subject to the Corporation paying Silver Wheaton US\$20 million, with Silver Wheaton obligated to participate in US\$5 million of any Alexco equity raise in excess of \$10 million intended to complete the payment. Upon payment of the US\$20 million to Silver Wheaton, the original amount advanced will be deemed reduced from US\$50 million to US\$30 million and the then-current balance of the advance amounts received will be reduced to nil. The date by which the payment is to be made was set in the original amendment agreement at December 31, 2014, but has been extended by agreement of the parties to December 31, 2015. If Alexco does not make the US\$20 million payment, the original silver streaming agreement terms will continue unamended with no other impact to Alexco. Effective immediately on signing of the amendment agreement, the date for completion of the 400 tonne per day throughput test was extended to December 31, 2015, and that date has also now been extended by agreement of the parties to December 31, 2016. If the Corporation makes the US\$20 million payment and the amendments to the silver streaming interest become effective, the date for completion of

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the test will be further extended to a date that is two years from the Recommencement Date, and the Additional Silver Delivery Requirement will only apply the final six months of that two year period.

**18. Decommissioning and Rehabilitation Provision**

	<b>December 31 2014</b>	<b>December 31 2013</b>
Balance – beginning of year	\$ 3,803	\$ 4,087
Increase (decrease) due to re-estimation	306	(331)
Accretion expense, included in finance costs	42	47
Balance – end of year	\$ 4,151	\$ 3,803

The Corporation's decommissioning and rehabilitation provision consists of costs expected to be required in respect of future reclamation and closure activities at the end of the life of the Bellekeno, Lucky Queen and Onek mines. These activities include water treatment, land rehabilitation, ongoing care and maintenance and other reclamation and closure related requirements.

As at December 31, 2014, the Corporation has provided reclamation security totaling \$4,173,000 (2013 – \$4,173,000) to the Government of Yukon in the form of term deposits held under safekeeping agreements, which funds are included in the Corporation's non-current restricted cash and deposits.

The total undiscounted amount of the estimated cash flows required to settle the decommissioning and rehabilitation provision is estimated to be \$4,780,000 (2013 – \$4,780,000), which expenditures are expected to be incurred substantially over the course of the next 15 years. In determining the carrying value of the decommissioning and rehabilitation provision as at December 31, 2014, the Corporation has used a risk-free discount rate of 2.11% (2013 – 3.0%) and an inflation rate of 2.0% (2013 – 2.0%).

**19. Shareholders' Equity**

Effective April 23, 2013, the Corporation issued 2,100,000 flow-through common shares on a private placement basis at a price of \$3.35 per share for aggregate gross proceeds of \$7,035,000. Of the gross proceeds, \$4,830,000 has been attributed to issued common shares, and the remaining \$2,205,000 has been attributed to the sale of tax benefits. Net proceeds from the issuance were \$6,649,000, after issuance costs comprised of the agent's commission of \$472,000 and other issuance costs of \$80,000, less the deferred income tax benefit of such costs of \$166,000.

In August 2014, the Corporation issued a total of 7,015,000 units at a price of \$1.15 per unit in a bought deal financing pursuant to a short form prospectus. Each unit was comprised of one common share and one half of one common share purchase warrant, with each full warrant entitling the holder to acquire an additional common share at a price of \$1.40 per share at any time until August 21, 2016. The underwriter to the financing received a cash fee of 6.5% of the gross proceeds plus 455,975 compensation warrants, each warrant exercisable for one common share of the Corporation at an exercise price of \$1.35 per share at any time until August 21, 2016. The net proceeds of the financing were \$7,007,000 after the underwriter's fees, including the fair value of the compensation warrants, and other issuance costs of \$364,000. The fair values of the unit warrants and the compensation warrants were estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.1% per annum, an expected life equal to the term of the warrants, an expected volatility of 75% and no expected dividends. A deferred income tax benefit of \$266,000 was recorded on the transaction.

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**20. Share-Based Compensation**

**Incentive Stock Options**

At the Corporation's annual general meeting held June 10, 2014, the shareholders approved the amendment of the stock option plan from a fixed to a rolling plan, under which the aggregate number of common shares issuable on exercise of stock options cannot exceed 9% of the number of common shares issued and outstanding. Generally, stock options granted have a maximum term of five years, vesting one third upon granting, one third after one year and one third after two years and exercise price determined by the directors. The exercise price may not be less than the closing quoted price of the Corporation's common shares traded through the facilities of the exchange on which the Company's common shares are listed. As at December 31, 2014, a total of 3,619,830 stock options were outstanding under the plan, and a total of 2,620,370 options remained available for granting.

The changes in incentive share options outstanding are summarized as follows:

	<b>Weighted average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>	<b>Amount</b>
Balance – December 31, 2013	\$5.16	4,035,663	\$ 10,096
Stock options granted	\$1.88	752,000	-
Share based compensation expense	-	-	704
Options exercised	-	-	-
Options forfeited or expired	\$5.54	(1,167,833)	(3,088)
<b>Balance – December 31, 2014</b>	<b>\$4.36</b>	<b>3,619,830</b>	<b>\$ 7,712</b>
Balance – December 31, 2012	\$5.07	4,634,995	\$ 11,061
Stock options granted	\$4.16	641,500	-
Share based compensation expense	-	-	1,477
Options exercised	\$3.08	(45,000)	(65)
Options forfeited or expired	\$4.30	(1,195,832)	(2,377)
<b>Balance – December 31, 2013</b>	<b>\$5.16</b>	<b>4,035,663</b>	<b>\$ 10,096</b>
Balance – December 31, 2011	\$4.41	4,292,661	\$ 8,552
Stock options granted	\$6.91	906,750	-
Share based compensation expense	-	-	3,462
Options exercised	\$1.55	(389,834)	(328)
Options forfeited or expired	\$6.64	(174,582)	(625)
<b>Balance – December 31, 2012</b>	<b>\$5.07</b>	<b>4,634,995</b>	<b>\$ 11,061</b>

During the year ended December 31, 2014, the fair value of options at the date of grant was estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.4% (2013 – 1.4; 2012 – 1.3% to 1.5%) per annum, an expected life of options of 4 years (2013 – 4 years; 2012 – 4 years), an expected volatility of 65% based on historical volatility (2013 – 70%; 2012 – 70%), an expected forfeiture rate of 4% (2013 – 4%; 2012 – 9%) and no expected dividends (2013 – nil; 2012 - nil).

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Incentive share options outstanding and exercisable at December 31, 2014 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Shares Issuable on Exercise	Average Remaining Life (Years)	Average Exercise Price	Number of Shares Issuable on Exercise	Average Exercise Price
\$0.60	35,000	4.96	\$ 0.60	-	\$ 0.60
\$1.65	292,500	1.21	\$ 1.65	292,500	\$ 1.65
\$1.94	702,000	4.12	\$ 1.94	234,000	\$ 1.94
\$3.45	758,330	2.22	\$ 3.45	758,330	\$ 3.45
\$4.16	457,500	3.06	\$ 4.16	305,000	\$ 4.16
\$4.46	108,000	0.12	\$ 4.46	108,000	\$ 4.46
\$6.92	569,500	2.07	\$ 6.92	569,500	\$ 6.92
\$7.10	693,500	3.06	\$ 7.10	693,500	\$ 7.10
\$8.13	3,500	3.36	\$ 8.13	3,500	\$ 8.13
	3,619,830	2.72	\$ 4.35	2,964,330	\$ 4.79

The weighted average share price at the date of exercise for options exercised during the year ended December 31, 2013 and 2012 was \$4.22 and \$5.08, respectively.

During the year ended December 31, 2014, the Corporation recorded total share-based compensation expense of \$704,000 (2013 – \$1,473,000; 2012 - \$3,462,000) related to incentive share options, of which \$100,000 (2013 – \$213,000; 2012 - \$558,000) is recorded to mineral properties, \$604,000 (2013 – \$1,311,000; 2012 - \$2,984,000) has been charged to income, and the balance reflects the changes in share-based compensation expense capitalized within opening and ending ore and concentrate inventories for the period.

Subsequent to December 31, 2014, a further 1,341,000 incentive stock options have been granted under the Corporation's incentive stock option plan, another 108,000 have expired unexercised and 345,000 have been forfeited.

**Restricted Share Units ("RSUs")**

On December 14, 2012, the Corporation initiated a long-term incentive plan which provides for the issuance of RSUs in such amounts as approved by the Corporation's Board of Directors. The RSU plan is considered an equity-settled share-based compensation arrangement, and is administered by a trustee. Each RSU entitles the participant to receive one common share of the Corporation subject to vesting criteria, with RSU grants vesting one third per year over a three year period. These RSUs are settled in common shares of the Corporation purchased by the plan trustee through the open market at the time of granting, using funds provided by the Corporation. The Corporation is required under IFRS to consolidate the plan trust, and the outstanding number of common shares reflected in these financial statements is reduced by the number of shares held by the plan trustee for future settlements.

At the Corporation's annual general meeting held June 10, 2014, the shareholders approved the amendment of the RSU plan whereby RSUs granted subsequent to the date of amendment can be settled in common shares of the Corporation issued from treasury, with the maximum grantable number of such RSUs fixed at 650,000. RSUs granted prior to the date of amendment can be settled only with common shares held by the plan trust and purchased through the open market at the time of granting, and not with shares issued from treasury, and do not reduce the 650,000 RSU fixed limit.

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The changes in RSUs outstanding are summarized as follows:

	Number of shares issued or issuable on vesting	Amount
Balance – December 31, 2013	401,665	\$ 996
RSUs granted	283,860	-
RSUs forfeited	(30,000)	-
Share-based compensation expense recognized	-	434
RSUs vested	(148,333)	(623)
<b>Balance – December 31, 2014</b>	<b>507,192</b>	<b>\$ 807</b>
Balance – December 31, 2012	130,000	\$ 52
RSUs granted	315,000	-
Share-based compensation expense recognized	-	1,108
RSUs vested	(43,335)	(164)
<b>Balance – December 31, 2013</b>	<b>401,665</b>	<b>\$ 996</b>
Balance – December 31, 2011	-	\$ -
RSUs granted	130,000	-
Share-based compensation expense recognized	-	52
<b>Balance – December 31, 2012</b>	<b>130,000</b>	<b>\$ 52</b>

A total of 283,860 RSUs were granted in 2014, with total grant-date fair value determined to be \$188,200. Included in general and administrative expenses for the year ended December 31, 2014 is share-based compensation expense of \$434,000 (2013 – \$1,108,000; 2012 - \$52,000) related to RSU awards. As at December 31, 2014, the plan trust held 253,332 common shares of the Corporation for future settlement of granted RSUs.

As of December 31, 2014, a total of 283,860 RSUs were granted under the amended RSU plan and a total of 366,140 RSUs remained available for granting.

Subsequent to December 31, 2014, a total of 135,000 RSUs have been granted under the amended RSU plan, with one third vesting one year after the date of granting, one third vesting two years after the date of granting, and the remaining third vesting three years after the date of granting.



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**21. Cost of Sales**

The Corporation recorded cost of sales for the years ended December 31, 2014, 2013 and 2012 as follows:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Mining operations –			
Inventoried costs –			
Direct production costs	\$ -	\$ 26,879	\$ 37,758
Depreciation, depletion and share-based compensation	-	17,835	23,993
Inventory write-down	-	886	-
Subsidiary Agreement royalty cost	-	109	-
Silver streaming interest –			
Market price of deliverable silver, net of amount receivable on delivery	-	7,326	14,213
Silver streaming interest amount recognized	-	(9,892)	(13,873)
	-	43,143	61,691
Environmental services –			
Direct service costs	9,730	7,314	5,011
Depreciation	307	156	86
	10,037	7,470	5,097
	\$ 10,037	\$ 50,613	\$ 66,788

**22. General and Administrative Expenses**

The Corporation recorded general and administrative expenses for the years ended December 31, 2014, 2013 and 2012 as follows:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>General and administrative expenses</b>			
Depreciation	\$ 113	\$ 119	\$ 190
Amortization of intangible assets	43	114	146
Business development and investor relations	570	628	724
Office, operating and non-operating overheads	1,624	2,506	4,899
Professional	685	1,085	1,418
Regulatory	185	193	257
Salaries and contractors	4,029	5,316	6,113
Share-based compensation	986	2,060	2,438
Travel	231	450	472
	\$ 8,466	\$ 12,471	\$ 16,657

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**23. Mine Site Care and Maintenance**

The Corporation recorded mine site care and maintenance expenses for the years ended December 31, 2014, 2013 and 2012 as follows:

	2014	2013	2012
<b>Mine site care and maintenance</b>			
Depreciation	\$ 2,486	\$ 643	\$ -
Office, operating and non-operating overheads	530	260	-
Professional	9	11	-
Salaries and contractors	79	224	-
Share-based compensation	23	45	-
Travel	3	27	-
	<b>\$ 3,130</b>	<b>\$ 1,210</b>	<b>\$ -</b>

**24. Income Tax Expense**

The major components of income tax expense for the years ended December 31, 2014, 2013 and 2012 are as follows:

(a) The provision for income taxes consists of:

	2014	2013	2012
<b>Current</b>			
Income tax	\$ -	\$ -	\$ -
Yukon mineral tax	-	220	448
US income tax	18	11	1
<b>Total current tax provision</b>	<b>18</b>	<b>231</b>	<b>449</b>
<b>Deferred</b>			
Income tax	(2,614)	(10,830)	3,571
Yukon mineral tax	(240)	(1,030)	539
<b>Total deferred tax provision (recovery)</b>	<b>(2,854)</b>	<b>(11,860)</b>	<b>4,110</b>
<b>Total income tax provision (recovery)</b>	<b>\$ (2,836)</b>	<b>\$ (11,629)</b>	<b>\$ 4,559</b>

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- (b) The income tax provision differs from the amount that would result from applying the Canadian federal and provincial tax rate to income before taxes. These differences result from the following items:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Accounting income (loss) before taxes</b>	<b>\$ (35,608)</b>	<b>\$ (62,079)</b>	<b>\$ 7,979</b>
Federal and provincial income tax rate of 26.00% (2013 – 25.75%)	(9,258)	(15,960)	1,995
Non-deductible permanent differences	16	464	937
Differences in foreign exchange rates	(6)	(90)	(45)
Effect of difference in tax rates	(1,419)	(2,544)	336
Change in benefits not recognized	8,035	7,411	280
Yukon mineral tax	(243)	(804)	846
Change in estimate	36	(105)	189
Other	3	(1)	21
	<b>6,422</b>	<b>4,331</b>	<b>2,564</b>
<b>Provision for (recovery of) income taxes</b>	<b>\$ (2,836)</b>	<b>\$ (11,629)</b>	<b>4,559</b>

During the year, the Canadian statutory tax rate increased to 26.00% due to legislated provincial tax rate changes.

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- (c) The movement in deferred tax assets and liabilities during the year by type of temporary difference, without taking into consideration the offsetting balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Mineral Property Interest	Inventory	Property, Plant and Equipment	Yukon Mining Tax	Other	Total
<b>December 31, 2012</b>	<b>\$ (17,757)</b>	<b>\$ (671)</b>	<b>\$ (4,843)</b>	<b>\$ (1,272)</b>	<b>\$ (895)</b>	<b>\$ (25,438)</b>
Credited (charged) to the income statement	7,240	545	2,903	1,028	632	12,348
Charged directly to equity	-	-	-	-	-	-
<b>December 31, 2013</b>	<b>\$ (10,517)</b>	<b>\$ (126)</b>	<b>\$ (1,940)</b>	<b>\$ (244)</b>	<b>\$ (263)</b>	<b>\$ (13,090)</b>
Credited (charged) to the income statement	(1,598)	-	(381)	244	(111)	(1,846)
Charged directly to equity	-	-	-	-	-	-
Charged (credited) to OCI	-	-	-	-	36	36
<b>December 31, 2014</b>	<b>\$ (12,115)</b>	<b>\$ (126)</b>	<b>\$ (2,321)</b>	<b>\$ -</b>	<b>\$ (338)</b>	<b>\$ (14,900)</b>

Deferred tax assets	Mineral Property Interest	Loss Carry Forward	Property, Plant and Equipment	Decommissioning and rehabilitation provision	Other	Total
<b>December 31, 2012</b>	<b>\$ 3,621</b>	<b>\$ 4,849</b>	<b>\$ 451</b>	<b>\$ 1,157</b>	<b>\$ 1,265</b>	<b>\$ 11,343</b>
Credited (charged) to the income statement	(1,121)	552	(6)	(16)	(602)	(1,193)
Charged directly to equity	-	-	-	-	165	165
<b>December 31, 2013</b>	<b>\$ 2,500</b>	<b>\$ 5,401</b>	<b>\$ 445</b>	<b>\$ 1,141</b>	<b>\$ 828</b>	<b>\$ 10,315</b>
Credited (charged) to the income statement	2,721	451	(13)	80	(331)	2,908
Charged directly to equity	-	-	-	-	266	266
<b>December 31, 2014</b>	<b>\$ 5,221</b>	<b>\$ 5,852</b>	<b>\$ 432</b>	<b>\$ 1,221</b>	<b>\$ 763</b>	<b>\$ 13,489</b>

**Net deferred tax liabilities**

<b>December 31, 2013</b>	<b>\$ (2,775)</b>
Credited (charged) to the income statement	1,349
Charged directly to equity	266
Charged (credited) to OCI	(251)
<b>December 31, 2014</b>	<b>\$ (1,411)</b>

- (d) At December 31, 2014, the Corporation has unrecognized tax attributes, noted below, that are available to offset future taxable income. However, these tax attributes relate to capital items in nature which can only be offset capital gain or relate to subsidiaries that have a history of losses; therefore may not be used to offset taxable income.

Unused non-capital losses	\$ 13,340
Mineral property interest	35,586
Other	10,735
	<b>\$ 59,661</b>

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As at December 31, 2014, the Corporation has available non-capital losses for income tax purposes in Canada and the US which are available to be carried forward to reduce taxable income in future years and for which no deferred income tax asset has been recognized, and which expire as follows:

	Canada	US	Total
2028	-	333	333
2029	-	850	850
2030	-	1,024	1,024
2031	-	834	834
2032	303	60	363
2033	2,228	-	2,228
2034	7,708	-	7,708
	<b>\$ 10,239</b>	<b>\$ 3,101</b>	<b>\$ 13,340</b>

**25. Loss Per Share**

The following table sets forth the computation of basic and diluted loss per share for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
<b>Numerator</b>			
Net loss for the year	\$ (32,772)	\$ (50,450)	\$ 3,420
<b>Denominator</b>			
For basic – weighted average number of shares outstanding	65,100,203	61,968,376	60,256,688
Effect of dilutive securities – incentive share options	-	-	800,174
For diluted – adjusted weighted average number of shares outstanding	65,100,203	61,968,376	61,056,862
<b>Loss Per Share</b>			
Basic	\$(0.50)	\$(0.81)	\$0.06
Diluted	\$(0.50)	\$(0.81)	\$0.06

Incentive stock options to acquire 3,585,000 shares (2013 – 3,743,000) were outstanding at December 31, 2014 but were not included in the computation of diluted earnings per share for the year then ended because to do so would have been anti-dilutive given the Corporation recorded a net loss in that year. Incentive stock options to acquire 2,154,000 shares were outstanding at December 31, 2012 but were not included in the computation of diluted earnings per share for the year then ended because to do so would have been anti-dilutive given their exercise price was greater than the average market price of the Corporation's shares over that year.

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**26. Financial Instruments**

**Financial Assets and Liabilities**

Information regarding the carrying amounts of the Corporation's financial assets and liabilities is summarized as follows:

	<b>Fair Value Hierarchy Classification</b>	<b>2014</b>	<b>2013</b>
<b>Loans and receivables –</b>			
Cash and cash equivalents	Level 1	\$ 8,639	\$ 8,610
Accounts receivable other than those arising from sales of concentrates	Level 2	3,951	4,873
		<b>12,590</b>	<b>13,483</b>
<b>Fair value through profit or loss –</b>			
Accounts receivable arising from sales of concentrates	Level 2	-	56
Long-term investment in warrants	Level 2	-	14
		-	70
<b>Held to maturity investments –</b>			
<b>    Restricted cash and deposits –</b>			
Term deposits	Level 2	10,215	9,460
<b>Available for sale –</b>			
Long-term investment in common shares	Level 1	597	525
<b>Financial liabilities –</b>			
Accounts payable and accrued liabilities	Level 2	(2,375)	(2,220)
		<b>\$ 21,027</b>	<b>\$ 21,318</b>

The carrying amounts of all of the Corporation's financial assets and liabilities reasonably approximate their fair values.

Accounts receivable arising from sales of concentrates includes exposure to changes in metal prices between initial revenue recognition and final settlement, which could occur up to a number of months subsequent to initial recognition. Measurement of such exposure is based on estimated prices for contained payable metal on which final settlement will be determined, with such estimates based on quoted forward prices.

All term deposits carried initial maturity periods of twelve months or less and are high grade, low risk investments held with major financial institutions in Canada, generally yielding between 1% and 2% per annum.

**Financial Instrument Risk Exposure**

The Corporation's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Corporation's operating units. The Corporation's overall risk management program seeks to minimize potential adverse effects on the Corporation's financial performance, in the context of its general capital management objectives as further described in note 27.

***Price Risk***

Under the terms of the off-take agreements by which the Bellekeno mine concentrates were sold, pricing was based on future metal prices, the final settlement of which could occur up to a number of months subsequent to initial recognition of the sale. Initial recognition of the sale is based on estimated final

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settlement prices, and the exposure to changes in metal prices between initial recognition and final settlement represents an embedded derivative within accounts receivable arising from sales of concentrate. The Corporation is primarily exposed to changes in the market price for silver, lead and zinc, all of which are actively traded commodities, the prices of which are affected by numerous macroeconomic factors such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand and general worldwide political and economic conditions, as well as fluctuations of the value of the US dollar given the price of each of these metals on the world market is widely quoted in that currency. Management monitors these various factors as part of its overall capital management activities, including tracking published analyst commodity price forecasts. In situations of significant anticipated volatility in metal prices or where warranted by unique project-specific circumstances, management may consider hedging the metal prices to which it is exposed. However, it is the Corporation's primary policy that it will not hedge the metal prices to which it is exposed, particularly that for silver.

**Currency Risk**

Substantially all of the Corporation's property, plant and equipment and mineral properties are located in Canada; all of its mining operations occur in Canada; and a significant majority of its environmental services revenues are earned in Canada. However, when commercial production commenced at the Bellekeno mine, the Corporation's exposure to US dollar currency risk significantly increased as sales of concentrate were effected in US dollars. In addition, a portion of its environmental services revenues, and receivables arising therefrom, are also denominated in US dollars. As well, while a significant majority of the Corporation's operating costs are denominated in Canadian dollars, it does have some exposure to costs, as some accounts payable and accrued liabilities are denominated in US dollars. The Corporation is exposed to currency risk at the balance sheet date through the following financial assets and liabilities, which are denominated in US dollars:

	<b>December 31 2014</b>	<b>December 31 2013</b>
Cash and demand deposits	\$ 6,340	\$ 3,027
Accounts and other receivable	1,354	1,129
Accounts payable and accrued liabilities	(421)	(512)
Net exposure	\$ 7,273	\$ 3,644

Based on the above net exposure at December 31, 2014, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an approximately \$727,000 decrease or increase respectively in both net and comprehensive loss (2013 – \$364,000). The Corporation has not employed any currency hedging programs during the current period.

**Interest Rate Risk**

The Corporation has no significant exposure at December 31, 2014 or 2013 to interest rate risk through its financial instruments.

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**Credit Risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its obligations. The Corporation's maximum exposure to credit risk at the balance sheet date under its financial instruments is summarized as follows:

	<b>December 31 2014</b>	<b>December 31 2013</b>
Trade receivables, net of provision –		
Currently due	\$ 1,171	\$ 729
Past due by 90 days or less, not impaired	1,224	1,448
Past due by greater than 90 days, not impaired	48	602
	<u>2,443</u>	<u>2,779</u>
Cash	2,526	4,855
Demand deposits	6,113	3,755
Term deposits	10,215	9,460
	<u>\$ 21,322</u>	<u>\$ 20,849</u>

Substantially all of the Corporation's cash, demand deposits and term deposits are held with major financial institutions in Canada, and management believes the exposure to credit risk with respect to such institutions is not significant. Those financial assets that potentially subject the Corporation to credit risk are primarily receivables. Management actively monitors the Corporation's exposure to credit risk under its financial instruments, particularly with respect to receivables. The Corporation considers the risk of material loss to be significantly mitigated due to the financial strength of the parties from whom the receivables are due, including with respect to trade accounts receivable as the Corporation's major customers include government organizations as well as substantial corporate entities. As at December 31, 2014, trade receivables are recorded net of a recoverability provision of \$479,000 (2013 – \$485,000).

**Liquidity Risk**

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. The Corporation has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements as well as the growth and development of its mining projects. The Corporation coordinates this planning and budgeting process with its financing activities through the capital management process described in note 27. The Corporation's financial liabilities are comprised of its accounts payable and accrued liabilities, the contractual maturities of which at the balance sheet date are summarized as follows:

	<b>December 31 2014</b>	<b>December 31 2013</b>
Accounts payable and accrued liabilities with contractual maturities –		
Within 90 days or less	\$ 2,375	\$ 2,220
In later than 90 days, not later than one year	-	-
	<u>\$ 2,375</u>	<u>\$ 2,220</u>

**27. Management of Capital**

The capital managed by the Corporation includes the components of shareholders' equity as described in the consolidated statements of shareholders' equity. The Corporation is not subject to externally imposed capital requirements.



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The Corporation's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of finance to fund the growth and development of its mining projects, and to support the working capital required to maintain its ability to continue as a going concern. The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Corporation considers all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part, including mineral property interests. The Corporation's overall strategy with respect to management of capital at December 31, 2014 remains fundamentally unchanged from the year ended December 31, 2013.

**28. Supplemental Cash Flow Information**

Supplemental cash flow information with respect to the years ended December 31, 2014 and 2013 is summarized as follows:

	2014	2013
<b>Operating Cash Flows Arising From Interest and Taxes</b>		
Interest received	\$ 111	\$ 265
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ (361)
<b>Non-Cash Investing and Financing Transactions</b>		
Capitalization of share-based compensation to mineral properties	\$ 100	\$ 213
Capitalization of depreciation to mineral properties	\$ 395	\$ 448
Capitalization of re-estimation of decommissioning and rehabilitation provision	\$ 115	\$ (164)
Increase (decrease) in non-cash working capital related to:		
Mining operations properties	\$ -	\$ 2,963
Exploration and evaluation properties	\$ (2)	\$ 3,210
Property, plant and equipment	\$ 8	\$ 4
Prepaid expenses and other current assets	\$ -	\$ -

**29. Segmented Information**

The Corporation had two operating segments during the years ended December 31, 2014, 2013 and 2012, being environmental services carried out through AEG, providing consulting and project management services in respect of environmental permitting and compliance and site remediation and reclamation; and mining operations, including the operating Bellekeno mine, producing silver, lead and zinc in the form of concentrates (suspended in September 2013). The Corporation also had two non-operating segments, being exploration of mineral properties, which includes exploration and evaluation activities; and the corporate segment, which includes the Corporation's executive head office and general corporate administration. Reportable segments are identified based on differences in products, services and business activities. Inter-segment transactions are recorded at amounts that reflect normal third-party terms and conditions, with inter-segment profits eliminated from the cost base of the segment incurring the charge. During the second quarter of 2013, both the Lucky Queen and Onek property assets were transferred from the exploration segment to the mining operations segment, as a result of the receipt of remaining operating permits. Revenue from non-Canadian customers of both operating segments was derived primarily from the United States.

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<b>As at and for the year ended December 31, 2014</b>	<b>Environmental Services</b>	<b>Mining Operations</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
Segment revenues –					
External customers –					
Canadian	\$ 9,182	\$ -	\$ -	\$ -	\$ 9,182
Non-Canadian	5,743	361	-	-	6,104
Intersegment	3,595	-	-	-	3,595
Total segment revenues	18,520	361	-	-	18,881
Intersegment revenues eliminated on consolidation	(3,595)	-	-	-	(3,595)
Total revenues as reported	14,925	361	-	-	15,286
Cost of sales	10,037	-	-	-	10,037
Depreciation and amortization	68	-	-	89	157
Share-based compensation	244	-	-	742	986
Other G&A expenses	3,168	86	-	4,069	7,323
Other mine site care and maintenance	-	3,130	-	-	3,130
Foreign exchange gain	(323)	436	-	(773)	(660)
Investment income	(1)	-	-	(65)	(66)
Finance costs	-	42	-	-	42
Derivative loss	-	-	-	14	14
Write-down of mineral properties	-	18,093	7,010	-	25,103
Write-down of property, plant and equipment	-	1,212	3,616	-	4,828
Segment income (loss) before taxes	\$ 1,732	\$ (22,638)	\$ (10,626)	\$ (4,076)	\$ (35,608)
Total assets	\$ 11,609	\$ 21,612	\$ 63,503	\$ 8,471	\$ 105,195
<b>As at and for the year ended December 31, 2013</b>	<b>Environmental Services</b>	<b>Mining Operations</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Total</b>
Segment revenues –					
External customers –					
Canadian	\$ 10,516	\$ -	\$ -	\$ -	\$ 10,516
Non-Canadian	5,803	43,114	-	-	48,917
Intersegment	2,734	-	-	-	2,734
Total segment revenues	19,053	43,114	-	-	62,167
Intersegment revenues eliminated on consolidation	(2,734)	-	-	-	(2,734)
Total revenues as reported	16,319	43,114	-	-	59,433
Cost of sales	7,470	43,143	-	-	50,613
Depreciation and amortization	141	-	-	735	876
Share-based compensation	393	464	-	1,203	2,060
Other G&A expenses	3,187	2,550	-	5,008	10,745
Foreign exchange gain	3	(254)	-	69	(182)
Investment income	(5)	1	-	(242)	(246)
Finance costs	-	47	-	-	47
Derivative loss	-	-	-	98	98
Write-down of mineral properties	-	51,840	-	-	51,840
Write-down of property, plant and equipment	-	3,501	-	-	3,501
Loss on impaired long term investments	-	-	-	2,160	2,160
Segment income (loss) before taxes	\$ 5,130	\$ (58,178)	\$ -	\$ (9,031)	\$ (62,079)
Total assets	\$ 12,940	\$ 37,417	\$ 72,494	\$ 8,362	\$ 131,213

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As at and for the year ended December 31, 2012	Environmental Services	Mining Operations	Exploration	Corporate	Total
Segment revenues –					
External customers –					
Canadian	\$ 5,298	\$ -	\$ -	\$ -	\$ 5,298
Non-Canadian	2,685	76,725	-	-	79,410
Intersegment	4,011	-	-	-	4,011
Total segment revenues	11,994	76,725	-	-	88,719
Intersegment revenues eliminated on consolidation	(4,011)	-	-	-	(4,011)
Total revenues as reported	7,983	76,725	-	-	84,708
Cost of sales	5,097	61,691	-	-	66,788
Depreciation and amortization	207	-	-	129	336
Share-based compensation	652	352	-	1,434	2,438
Other G&A expenses	2,906	1,717	-	9,258	13,881
Foreign exchange gain	138	27	-	159	324
Investment income	(9)	-	-	(739)	(748)
Finance costs	-	46	-	-	46
Gain on sale of mineral property	-	-	-	(6,344)	(6,344)
Derivative loss	57	-	(55)	6	8
Segment income (loss) before taxes	\$ (1,065)	\$ 12,892	\$ 55	\$ (3,903)	\$ 7,979
Total assets	\$ 12,305	\$ 87,483	\$ 84,405	\$ 28,107	\$ 212,300

For the 12 month periods ended December 31, 2014, 2013 and 2012, revenue from mining operations was derived as follows from payable metals contained in concentrate:

	2014	2013	2012
Silver	\$ 243	\$ 34,668	\$ 63,731
Lead	(18)	10,926	16,275
Zinc	(3)	2,822	4,256
Gold	162	525	509
	384	48,941	84,771
Smelter treatment and refining charges	(23)	(5,827)	(8,046)
Reported mining operations revenue	\$ 361	\$ 43,114	\$ 76,725

**30. Related Party Transactions**

The Corporation's related parties include its subsidiaries and key management personnel.

(a) Key Management Personnel Compensation

	2014	2013	2012
Salaries and other short-term benefits	\$ 1,919	\$ 2,150	\$ 4,038
Termination benefits	-	-	714
Share-based compensation	830	1,923	1,738
	\$ 2,749	\$ 4,073	\$ 6,490

Key management includes the Corporation's Board of Directors and members of senior management.

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*(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)*

**31. Commitments**

As at December 31, 2014, the Corporation's contractual obligations are as follows:

- (a) The Corporation has entered into various operating lease contracts for office space, motor vehicles and office equipment. The future minimum payments under these leases are as follows:

2015	487
2016	81
2017	60
	\$ 628

- (b) The Corporation's other contractual obligations, including with respect to capital asset expenditures, totaled approximately \$200,000.