

**Alexco Resource Corp.**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2014**

**General**

This Management's Discussion and Analysis ("MD&A") of Alexco Resource Corp. ("Alexco" or the "Corporation") is dated March 25, 2015 and provides an analysis of Alexco's consolidated financial results for the year ended December 31, 2014 compared to those of the previous year.

The following information should be read in conjunction with Alexco's December 31, 2014 consolidated financial statements with accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on Alexco, including Alexco's AIF, are available on Alexco's website at [www.alexcoresource.com](http://www.alexcoresource.com) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Except where specifically indicated otherwise, the disclosure in this MD&A of scientific and technical information regarding exploration projects on Alexco's mineral properties has been reviewed and approved by Alan McOnie, FAusIMM, Vice President, Exploration, while that regarding mine development and operations has been reviewed and approved by Scott Smith, P.Eng., former Bellekeno Mine Manager, both of whom are Qualified Persons as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

**Selected Financial Information**

Selected financial information from the Corporation's three most recently completed financial years is summarized as follows:

(expressed in thousands of dollars, except per share amounts)	As at and for the year ended December 31, 2014	As at and for the year ended December 31, 2013	As at and for the year ended December 31, 2012
Revenue from mining operations	361	43,114	76,725
Gross profit (loss) from mining operations	361	(29)	15,034
Revenue from environmental services	14,925	16,319	7,983
Gross profit from environmental services	4,888	8,849	2,886
Revenue from all operations	15,286	59,433	84,708
Gross profit from all operations	5,249	8,820	17,920
Net income (loss)	(32,772)	(50,450)	3,420
Adjusted net income (loss) <sup>1</sup>	(5,363)	(4,313)	3,420
Earnings (loss) per share –			
Basic	(\$0.50)	(\$0.81)	\$0.06
Diluted	(\$0.50)	(\$0.81)	\$0.06
Total assets	105,195	131,213	212,300
Total long-term liabilities	24,363	26,114	49,355
Dividends declared	Nil	Nil	Nil

<sup>1</sup> Adjusted net income (loss) excludes amounts recorded with respect to impairment charges, and is a non-IFRS measure with no standardized meaning prescribed under IFRS. See page "Non-IFRS Measures – Adjusted Income (Loss)" on page 16.

## Overall Performance

Alexco reported a loss before taxes of \$35,608,000 and a net loss of \$32,772,000 for the year ended December 31, 2014, for a basic and diluted loss of \$0.50 per share, on total revenues of \$15,286,000. Included in these 2014 results are impairment charges on mining assets totaling \$29,931,000. Excluding the effect of these impairment charges, the 2014 adjusted loss before taxes was \$5,363,000 (see “Non-IFRS Measures – Adjusted Income (Loss)” on page 16). For the year ended December 31, 2013 Alexco reported a loss before taxes of \$62,079,000 and a net loss of \$50,450,000, for a basic and diluted loss of \$0.81 per share, on total revenues of \$59,433,000. Included in these 2013 results are impairment charges on mining assets and investments totaling \$57,126,000 before taxes. Excluding the effect of these impairment charges, the 2013 adjusted loss before taxes was \$4,953,000 (see “Non-IFRS Measures – Adjusted Income (Loss)” on page 16). The difference between years is primarily due to the effect of the suspension of Bellekeno mining operations in early September 2013, reduced gross profit on environmental services, increased mine site care and maintenance costs offset by decreased general and administrative expenses in 2014.

Alexco’s environmental services business, the Alexco Environmental Group (“AEG”), recognized revenues of \$14,925,000 in the year ended December 31, 2014 for a gross profit of \$4,888,000 compared to revenues of \$16,319,000 and a gross profit of \$8,849,000 during 2013. In July 2013, an amended and restated Subsidiary Agreement (“ARSA”) was executed with the Government of Canada. As a result of that execution, included in 2013 revenues is \$1,983,000 in retroactive fees, and included in cost of sales is an \$850,000 reduction in the Corporation’s environmental services contract loss provision. Excluding the impacts from the execution of the ARSA and from changes in the estimate of the environmental services contract loss provision, in 2014 AEG achieved a gross margin of 32.8%, compared to 42.5% in 2013. The decrease in gross margin from the prior year is a result of the AEG outsourcing certain specialty work to external consultants incurring lower margins and also due to one of AEG’s major projects shifting from engineering to earthworks which earns lower margins.

Bellekeno mining and milling operations were suspended in early September 2013 in light of the reduced silver price environment, and the 2013 results accordingly reflect only 245 days of mining operations. There were no mining operations in 2014 with the exception of \$361,000 of revenues related to the final settlements of concentrates sales that were shipped in October 2013 and settled in April 2014. Revenues from mining operations at Bellekeno in 2013 totaled \$43,114,000, yielding a gross loss \$29,000. Metal prices for revenue recognized during 2013, weighted by dollar of revenue recognized, averaged US\$23.94 per ounce for silver, US\$0.98 per pound for lead and US\$0.88 per pound for zinc. Silver prices for revenue recognized in the first, second and third quarters of 2013 were US\$28.70, US\$20.55 and US\$22.06, respectively, reflecting the sharp reduction in silver prices experienced through 2013. Average mill throughput for 2013 was 271 tonnes per day (“tpd”). Total mine output during 2013 was 65,206 tonnes. Total production during 2013 was 1,408,164 ounces of silver, 10.3 million pounds of lead and 3.4 million pounds of zinc. Cash costs of production in 2013 were \$14.00 per ounce of payable silver.

Alexco’s surface exploration drill program for 2014 totaled \$5,069,000 compared to \$2,508,000 in 2013. Surface exploration drilling was completed as of the end of October 2014, and for the full season totalled 18,267 meters (2013 - 2,878 meters).

In June 2014, Alexco reached an agreement with Silver Wheaton Corp. (“Silver Wheaton”) to amend the silver streaming agreement originally dated October 2, 2008, such that the fixed US\$3.90 per ounce silver streaming production payment will be replaced with a variable production payment based on the spot price of silver, with significant positive implications for Alexco and the Keno Hill Silver District (“KHSD”) in general. The amended silver streaming agreement applies to 25% of Alexco’s payable silver produced at its Keno Hill silver mining operations in Yukon, Canada. The amendments to the underlying silver streaming agreement are subject to Alexco paying Silver Wheaton US\$20 million, with Silver Wheaton taking a lead role via participation in US\$5 million of any Alexco equity raise in excess of US\$10 million towards the US\$20 million payment. The date by which the payment is to be made was originally set at December 31, 2014, but has now 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.

In August 2014, the Corporation completed a bought deal financing pursuant to a short form prospectus, issuing 7,015,000 units at a price of \$1.15 per unit for gross proceeds of \$8,068,000. Each unit was comprised of one common share and one half of one common share purchase warrant, each full warrant entitling the holder to acquire one additional common share at a price of \$1.40 for a period of two years after the closing date. The net cash

proceeds from this financing were \$7,179,000, and were used for further exploration and development activities on the KHSD property, particularly the Flame & Moth deposit, and for general working capital purposes.

In December 2014, Alexco released an updated National Instrument 43-101 compliant Preliminary Economic Assessment (“PEA”) for its 100% owned Keno Hill Silver District in Canada’s Yukon Territory (“KHSD PEA”) (see news release dated December 23, 2014 entitled “Alexco Updates Positive Preliminary Economic Assessment for Expanded Silver Production from Keno Hill Silver District, Yukon”). This PEA consolidates into one report updated information related to construction and operation of a new underground mine at the Flame & Moth silver deposit, and includes current resource statements for the Bellekeno, Lucky Queen, Onek and Bermingham deposits. The PEA reflects one of a number of production strategies being considered in the eastern Keno Hill Silver District.

The Corporation’s cash and cash equivalents at December 31, 2014 totaled \$8,639,000 compared to \$8,610,000 at December 31, 2013, while net working capital totaled \$11,332,000 compared to \$15,316,000. The decrease in net working capital is mainly attributed to a reclassification of inventory, where \$4,269,000 of ore in stockpiles has been classified as a non-current asset.

## **Results of Operations**

### *Keno Hill Silver District*

All of Alexco’s mining, development and exploration activities have been conducted on its Keno Hill Silver District properties. The Keno Hill Silver District is located in Yukon Territory approximately 330 kilometers north of Whitehorse in the vicinity of the villages of Mayo and Keno City and lies within the traditional territory of the First Nation of Na-Cho Nyak Dun (“FNNND”). Alexco is party to a Comprehensive Cooperation and Benefits Agreement with the FNNND, setting out common understandings, obligations and opportunities arising from all of Alexco’s activities within the Keno Hill District including exploration, care and maintenance, District closure activities and mine production.

Alexco’s various Keno Hill mineral properties comprise mineral rights spanning approximately 24,370 hectares, which contain numerous occurrences of mineral deposits and prospects including more than 35 historical silver mines. The Keno Hill District’s historical mines produced variously from approximately 1913 through 1988, with the Yukon Government’s published Minfile database reporting that District production from 1941 totaled more than 217 million ounces of silver with average grades of 40.52 ounces per tonne (“opt”) silver, 5.62% lead and 3.14% zinc. Historical mine operations closed down in 1989 when the former owner, United Keno Hill Mines Limited, put the District on care and maintenance in the face of rising costs and environmental regulatory pressures. The majority of Alexco’s mineral rights within the Keno Hill District were acquired in 2006 by way of a purchase of assets from the interim receiver of United Keno Hill Mines Limited and its subsidiary, UKH Minerals Limited (collectively, “UKHM”). Alexco’s mineral interest holdings in the Keno Hill Silver District comprise a number of deposits, including but not limited to Bellekeno, Flame & Moth, Lucky Queen, Onek, Silver King, Bermingham and Elsa Tailings.

In December 2014, Alexco completed the KHSD PEA. Alexco’s 100% owned KHSD property encompasses the Bellekeno, Flame & Moth, Lucky Queen, Onek and Bermingham deposits and comprises 714 surveyed quartz mining leases and 877 unsurveyed quartz mining claims, the majority of which are UKHM Mineral Rights. Prior to their amalgamation within KHSD, each of the deposits were a separate property and had been subject to numerous technical reports, all filed on the SEDAR website at [www.sedar.com](http://www.sedar.com) and all NI 43-101 compliant. All of these past technical reports have now been superseded by the current PEA.

The KHSD PEA outlines a mining project with an initial nine-month construction period followed by a 5.75 year period of silver production anchored by the Flame & Moth deposit. It provides for an annual delivery of an average of 3.0 million ounces of payable silver, 6.6 million pounds of lead, 6.1 million pounds of zinc and 1,020 ounces of gold from approximately 140,000 tonnes per year of consolidated mine and mill production. The after-tax internal rate of return is 22.1% and the after-tax net present value at a 5% discount rate is \$23.3 million, with a 3.75 year payback period. Initial capital requirements are expected to be approximately \$45 million, of which US\$20 million is slated for the Silver Wheaton payment prior to commercial production. Of the remainder, roughly half the initial capital would be deployed to drive a decline and establish underground infrastructure at the Flame & Moth deposit, which is planned to deliver 72% of the tonnes in the current plan. The balance of the initial capital is planned for minor mill upgrades, additional surface facilities, recommissioning of the Bellekeno mine and working capital and inventory buildup. Approximately 15% or 143,000 tonnes of mineable resource, primarily at Bellekeno and Flame & Moth, has been

eliminated from the PEA mine plan and remains to be considered should underlying costs and obligations be further optimized.

The consolidated mine production under the KHSD PEA is primarily derived from indicated mineral resources, though approximately 6% is derived from inferred mineral resources. Readers are cautioned that mineral resources are not mineral reserves and do not have demonstrated economic viability. Furthermore, the PEA is preliminary in nature; it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves; and there is no certainty that the PEA will be realized.

Under the KHSD PEA, Flame & Moth mineral resources are estimated with an effective date of January 30, 2013 at 1,378,000 tonnes indicated grading 516 grams per tonne ("g/t") silver, 1.72% lead and 5.70% zinc and 0.4 g/t Au plus another 107,000 tonnes inferred grading 313 g/t silver, 0.86% lead, 4.21% zinc and 0.3 g/t Au. The Bellekeno mineral resources are based on a geologic resource estimate having an effective date of May 31, 2012, with the indicated resources as at September 30, 2013 and reflecting the geologic resource less estimated subsequent depletion from mine production (Scott Smith is the qualified person responsible for the subsequent depletion of the May 31, 2012 indicated resources for production through September 30, 2013). The Bellekeno mineral resource estimate comprises 262,000 tonnes indicated grading 585 g/t silver, 3.5% lead and 5.3% zinc plus another 243,000 tonnes inferred grading 428 g/t silver, 4.1% lead and 5.1% zinc. The Lucky Queen mineral resources are estimated with an effective date of July 27, 2011 at 124,000 tonnes indicated grading 1,227 g/t silver, 2.57% lead and 1.72% zinc plus another 150,000 tonnes inferred grading 571 g/t silver, 1.37% lead and 0.92% zinc. The Onek mineral resources are estimated with an effective date of October 15, 2014 at 654,000 tonnes indicated grading 200 g/t silver, 1.29% lead and 12.30% zinc plus another 234,000 tonnes inferred grading 134 g/t silver, 1.24% lead and 8.86% zinc. The Birmingham mineral resources are estimated with an effective date of October 15, 2014 at 257,000 tonnes indicated grading 460 g/t per tonne silver, 2.00% lead and 2.10% zinc plus another 102,000 tonnes inferred grading 372 g/t silver, 1.12% lead and 1.83% zinc.

#### *Bellekeno Mine*

The Corporation's Bellekeno underground mine commenced commercial production in January 2011, with mining being accomplished by a mining contractor using both mechanized and conventional cut-and-fill and long-hole mining methods of ore extraction. Bellekeno mining and milling operations were suspended in early September 2013 as a consequence of the reduced silver price environment, and the last concentrate shipments were delivered to the smelter in October 2013 with final assay determinations and final settlements of concentrate sales completed as of April 2014.

The following is a summary of operating statistics for Bellekeno for the year ending December 31, 2013. No comparative data is presented for 2014 as the mining operations were suspended in September 2013.

	2013 <sup>1</sup>
Ore tonnes mined	65,206
Ore tonnes processed	66,297
Mill throughput (tpd)	271
Grade of ore processed:	
Silver (g/t)	705
Lead	7.7%
Zinc	3.8%
<u>Recoveries:</u>	
Silver	94%
Lead in lead concentrate	92%
Zinc in zinc concentrate	61%
<u>Concentrate production</u>	
Lead concentrate:	
Tonnes produced	7,796
Concentrate grade:	
Silver (g/t)	5,458
Lead	60%
Zinc concentrate:	
Tonnes produced	3,450
Concentrate grade:	
Silver (g/t)	360
Zinc	45%
<u>Production – contained metal</u>	
Silver (ounces)	1,408,164
Lead (pounds)	10,324,978
Zinc (pounds)	3,443,855
<u>Sales volumes by payable metal</u>	
Silver (ounces)	1,456,925
Lead (pounds)	10,930,186
Zinc (pounds)	3,190,850
<u>Recognized metal prices<sup>2</sup></u>	
Silver (per ounce)	US\$23.94
Lead (per pound)	US\$0.98
Zinc (per pound)	US\$0.88
<u>Cash costs of production</u>	
Per ounce of payable silver produced	\$14.00

Notes:

1. The year ended December 31, 2013 represents a shortened operating period encompassing 245 days.
2. Recognized metal prices represent average metal prices for revenue recognized over the period, weighted by dollar of revenue recognized.

Cash costs of production for 2013 were \$14.00 per ounce of payable silver.

*Other Keno Hill District Properties*

With respect to Alexco's Elsa tailings project, where approximately 9.5 million ounces of silver have been defined within approximately 2.5 million tonnes of historical Elsa tailings (see the news release dated May 6, 2010 entitled "Alexco Announces Initial Elsa Tailings Resource Estimate, Keno Hill"), the completion of engineering and initial economic analysis work has been deferred given the current reduced silver price environment.

## *2014 Exploration Program*

Alexco completed its 2014 surface exploration program in October 2014, drilling 68 holes for a total of 18,267 meters. The Company incurred exploration expenditures of \$5,096,000. The drill program focused on the infill, definition and extension drilling Flame and Moth and Birmingham deposits with the following highlights discussed below:

### *Flame and Moth Results:*

Results from the drill program at Flame and Moth were reported in mid-January 2015 (see news release dated January 20, 2015 entitled "Alexco Intersects 1,483 g/t Silver (47.7 opt) over 6.2 Meters True Width at Flame & Moth Deposit in the Keno Hill Silver District"), with respect to 15,133 meters of infill, definition and extension drilling completed in 59 holes focused on the northern Christal Zone, and on southern extensions and down plunge areas of the southerly Lightning Zone. Infill and extension drilling in 22 holes totaling 5,523 meters in and around the northerly Christal Zone returned results of a maximum true width of 13.3 meters (average of 6.5 meters) of mineralization, with a best composite silver assay of 1,483 g/t silver (47.7 opt) over 6.2 meters true width. Drilling in the vicinity of the Christal Zone was completed to 20 – 30 meter centers to confirm mineralization continuity and grade, and is expected to positively affect the overall resource model for the Christal Zone area. To the southwest of the southerly Lightning zone, down-plunge extension drilling in 14 holes (6,154 meters) included a best result of 843 g/t (27.1 opt) silver over 3.3 meters true width proximal to the existing resource. Drilling also extended the overall strike length of the mineralized zone an additional 150 meters to the southwest but at lower grade. The total drilled strike length of the Flame & Moth vein system in the area about the existing resource now measures approximately 1,150 meters.

### *Birmingham Results:*

Results from the drill program at Birmingham were reported in early November 2014 (see news release dated November 5, 2014 entitled "Alexco Drills Best Hole Ever: Intersects 5,667 g/t Silver Over 6.39 Meters (true width) at Birmingham; Mineralization Extended and Remains Open"), with respect to 2,667 meters of drilling completed in eight holes to both infill and extend Birmingham mineralization to the northeast, towards the historical Hector-Calumet mine. Results from this drilling include drill hole K-14-0537 which intercepted 6.39 meters (true width) with a composite silver grade of 5,667 g/t silver (165.3 ounces opt), which included 1.81 meters (true width) assaying 18,270 g/t (532.9 opt) silver. Additionally, three other holes within 200 meters of drill hole K-14-0537 intercepted between 529 g/t and 714 g/t silver over true widths ranging from 3.03 meters to 7.97 meters. Overall, work in 2014 has systematically extended mineralization at Birmingham approximately 400 meters northeasterly beyond the existing Etta Zone resource, toward the inferred unique stratigraphic and structural setting occupied by the adjacent Hector-Calumet mine.

Alexco is currently planning a 2015 exploration program to follow up successful results returned from the 2014 surface drilling program. Focus in 2015 will likely be on Birmingham where robust silver mineralization encountered in 2014 appears to be vectoring toward a stratigraphic – structural setting similar to that occupied by the Hector-Calumet deposit. Additionally, 2015 exploration will explore the northern part of the Bellekeno deposit.

### *Environmental Services*

Under AEG, Alexco operates an environmental services business providing a range of services to the mining industry and other clients. Through its wholly owned subsidiaries, Alexco Environmental Group Inc. (formerly Access Mining Consultants Ltd.), Alexco Environmental Group U.S. Inc. ("AEG US") (formerly Alexco Resource U.S. Corp.) and Elsa Reclamation & Development Company Ltd. ("ERDC"), the Corporation provides a variety of mine and industrial site related environmental services including management of the regulatory and environmental permitting process, environmental assessments, remediation solutions and reclamation and closure planning. Alexco also owns certain patent rights allowed and pending related to mine reclamation and closure processes including the in situ immobilization of metals in groundwater, soils, waste stacks and pit lakes.

AEG recognized revenues of \$14,925,000 in the year ended December 31, 2014 for a gross profit of \$4,888,000 and a gross margin of 32.8% compared to revenues in 2013 of \$16,319,000 for a gross profit of \$8,849,000. Excluding the impacts from the execution of the ARSA as described above, in 2013 AEG achieved a gross margin of 42.5%. The decrease in gross margin from the prior year is a result of the AEG outsourcing certain specialty work to external consultants incurring lower margins and also due to one of AEG's major projects shifting from engineering to earthworks which earns lower margins.

As part of Alexco's acquisition in 2006 of the UKHM mineral rights in the Keno Hill District, ERDC is party to the ARSA with the Government of Canada ("Canada"). Under the ARSA, ERDC is retained by 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. The ARSA provides that ERDC share the responsibility for the development of the ultimate closure reclamation plan with Canada, for which it receives fees of 95% 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 established on a per-site basis totaling \$850,000, adjustable for material changes in scope, and representing approximately 50% of estimated fully-billable care and maintenance fees. ERDC receives agreed commercial contractor rates when retained by Canada to provide environmental services in the Keno Hill District outside the scope of care and maintenance and closure reclamation planning under the ARSA.

#### *General, Administrative and Corporate*

General and administrative expenses in 2014 totaled \$8,466,000 compared to \$12,471,000 in 2013. The significant reduction in general and administrative expenses, primarily regarding salaries and contractor costs, reflects the impact of the implementation of cost reduction measures, as well as the reduction in Bellekeno mine site overhead costs following the suspension of operations in 2013.

#### *Mine Site Care and Maintenance*

Mine site care and maintenance costs in 2014 totaled \$3,130,000 compared to \$1,210,000 in 2013. The increase in cost is due to care and maintenance in 2013 only occurring from September onward when production was suspended while 2014 was for the entire year. Included in mine site care and maintenance costs is depreciation expense of \$2,486,000 in 2014 and \$643,000 in 2013.

#### **Outlook**

Alexco's current primary focus is on further building high grade resource in the KHSD as well as developing plans to improve the underlying fixed cost structure of the Keno Hill District mining operations with the goal of re-starting mining operations. Ore throughput, grade and the influence of the Silver Wheaton silver stream have a material impact on unit costs at Keno Hill. Bringing Flame & Moth into production is a key aspect of restarting operations at Keno Hill, and the permitting process for development of the Flame & Moth deposit is well along to completion.

Silver, lead and zinc, being the primary metals found in the Bellekeno resource in particular and within the Keno Hill District historically. With respect to the economic climate during 2014, prices for silver steadily deteriorated through course of 2014 from a high of US\$22.05 on February 24, 2014 to a low of \$15.28 on November 6, 2014. Prices for lead generally held steady through most of the year though it started to decline in price in December to approximately US\$0.83. The price of zinc increased during the first half of the year and steadily declined in price for the second half of the year to approximately \$0.97. As at the date of this MD&A, prices are approximately US\$17.00 per ounce silver, US\$0.80 per pound for lead and US\$0.91 per pound for zinc and the Canadian-US exchange rate is approximately US\$0.80 per CAD. Consensus investment analyst forecasts over the next two years for silver average approximately US\$17.40 per ounce, for lead average approximately US\$1.02 per pound, and for US\$1.11 per pound, with the Canadian-US exchange rate forecast to range from US\$0.80 to US\$0.90 per CAD (see "Risk Factors", including but not limited to "Potential Profitability Of Mineral Properties Depends Upon Other Factors Beyond the Control of the Corporation" and "General Economic Conditions May Adversely Affect the Corporation's Growth and Profitability" thereunder).

As noted above, the 2014 surface exploration drilling program was completed as of the end of October 2014, for a total of 18,267 meters drilled and expenditures of \$5,069,000. Results from the program were released in November 2014 and January 2015. The Company is planning a 2015 exploration program to follow up successful results returned from the 2014 surface drilling program, especially the results from the Bermingham deposit.

With respect to AEG, Alexco remains engaged in the on-going environmental care and maintenance program and reclamation and closure projects at Keno Hill under its contract through ERDC with Canada and in accordance with the ARSA, and continues to service its private sector client base in the Yukon and elsewhere. AEG intends to continue expanding its environmental services activities, throughout northern and eastern Canada and the United States. AEG has developed a strong client base within the mining industry in the last several years, and has also

been able to establish new lines of business related to industrial site soil remediation, water treatment and historical mine pool remediation.

### Results of Operations – Fourth Quarter

For the three months ended December 31, 2014, Alexco reported a loss before taxes of \$31,113,000 on total revenues of \$4,139,000. This compares to a loss before taxes of \$505,000 on total revenues of \$5,163,000 for the three months ended December 31, 2013. Included in the 2014 loss is \$29,931,000 of impairment charges compared to \$nil during the same period of 2013.

Mining operations revenue in the three months ended December 31, 2014 totaled \$nil, yielding a gross profit of \$nil, compared to revenues in the same period in 2013 of \$665,000 and a gross profit of \$200,000, with the 2013 revenues and gross profit attributable to the Bellekeno final concentrate deliveries completed as of mid-October. Metal prices for revenue recognized during the three month period ended December 31, 2013, weighted by dollar of revenue recognized, averaged US\$19.63 per ounce for silver, US\$0.95 per pound for lead and US\$0.88 per pound for zinc.

Revenues from AEG in the fourth quarter of 2014 totaled \$4,139,000 for gross profit of \$1,260,000, compared to revenues in 2013 of \$4,498,000 and gross profit of \$2,418,000. Included in the 2013 fourth quarter revenue is \$483,000 in one-time retroactive fees billed pursuant to the finalization of the ARSA agreement.

General and administrative expenses in the fourth quarter of 2014 totaled \$1,993,000 compared to \$1,729,000 in 2013. The increase in the 2014 period included increased salary allocations to general and administrative expense offset by lower office expenses compared to the same quarter of 2013.

### Summary of Quarterly Results

Key financial information for the most recent eight quarters is summarized as follows, reported in thousands of Canadian dollars except for per share amounts:

Period	Revenue	Gross Profit (Loss)	Net Income (Loss)	Basic Earnings (Loss) per Share	Diluted Earnings (Loss) per Share	Expenditures on Mineral Properties
2013-Q1	16,715	839	(2,332)	\$(0.04)	\$(0.04)	7,040
2013-Q2	14,161	(928)	(49,205)	\$(0.81)	\$(0.81)	4,945
2013-Q3	23,394	6,291	2,219	\$0.04	\$0.04	1,935
2013-Q4	5,163	2,618	(1,131)	\$(0.01)	\$(0.01)	439
<b>2013 Total</b>	<b>59,433</b>	<b>8,820</b>	<b>(50,450)</b>	<b>\$(0.81)</b>	<b>\$(0.81)</b>	<b>14,359</b>
2014-Q1	3,327	1,237	(1,419)	\$(0.02)	\$(0.02)	546
2014-Q2	3,169	917	(1,661)	\$(0.03)	\$(0.03)	2,434
2014-Q3	4,651	1,835	(667)	\$(0.01)	\$(0.01)	2,670
2014-Q4	4,139	1,260	(29,025)	\$(0.44)	\$(0.44)	1,378
<b>2014 Total</b>	<b>15,286</b>	<b>5,249</b>	<b>(32,772)</b>	<b>\$(0.50)</b>	<b>\$(0.50)</b>	<b>7,028</b>

Note: Sum of all the quarters may not add up to the yearly totals due to rounding

The revenue and gross profit of 2013-Q1 reflect the adverse impact of reduced mine production and head grade for the quarter at Bellekeno due to the effect of sequencing constraints which resulted in mining from lower-grade peripheral areas of the mineable resource. The revenue and gross loss of 2013-Q2 reflect the impact of significantly lower realized silver prices. The revenue and gross profit of 2013-Q3 reflect mine production at Bellekeno and the benefits recognized following the execution of the ARSA. The revenue and gross profit subsequent to 2013-Q3 reflect the operations of the environmental services business and the suspension of Bellekeno mining operations as of September 2013.

The net loss of 2013-Q1, reflects costs associated with Alexco's annual cash bonuses and incentive share option awards to its employees, including resultant share-based compensation expense recognition of \$1,088,000. The net loss of 2013-Q2 reflects the impact of impairment charges recorded in respect of Keno Hill district mining assets as well as the Corporation's long-term investment in Till Capital Ltd. (formerly Americas Bullion Royalty Corp.) ("TIL").



The net losses subsequent to 2013-Q3 reflect the lack of contribution from mining operations following the suspension of Bellekeno operations as of September 2013 as well as reduced general and administrative expenses as part of Alexco's cost cutting initiatives. The net loss of 2014-Q4 reflects the impact of impairment charges recorded in respect of Keno Hill district mining assets and exploration and evaluation assets.

The mineral property expenditures in 2013-Q2 reflect reduced expenditures on both exploration and on Bellekeno sustaining development, plus remaining development costs at Onek. The expenditures in 2013-Q3 and 2013-Q4 reflect further reductions in both exploration and Bellekeno sustaining development in light of implemented cost reduction measures and the suspension of Bellekeno mining operations as of September 2013. The expenditures incurred in 2014 reflect a drill program primarily at the Bermingham and Flame and Moth deposits.

### **Liquidity and Capital Resources**

At December 31, 2014, the Corporation had cash and cash equivalents of \$8,639,000, and net working capital of \$11,332,000. The Corporation faces no known liquidity issues in any of its financial assets.

Cash used in operating activities was \$723,000 for the year ended December 31, 2014 versus inflows of \$3,407,000 for 2013, reflecting the impact of sharply reduced silver prices and the suspension of Bellekeno mining operations as of September 2013. Accounts receivable, inventories and accounts payable are all significantly lower, also reflecting the suspension of mining operations. Cash used in investing activities was \$6,427,000 for 2014 versus \$22,639,000 for 2013. Expenditures on mining operations properties were significantly reduced, to some extent because the 2013 expenditures include rehabilitation and access development activity at the Onek and Lucky Queen mines, and otherwise due primarily to decreased Bellekeno sustaining development expenditures in 2013 leading up to the suspension of mining operations in September. Expenditures on exploration and evaluation properties were similarly significantly reduced with supervision of underground exploration activity. Purchases of property, plant and equipment were significantly reduced in 2014 for the same reason. Cash generated from financing activities was \$7,179,000 for 2014 versus \$4,754,000 for 2013. Both years included equity financings while 2013 also included \$1,869,000 of funds used to acquire RSU settlement shares.

Under the silver streaming interest held by 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. Contractually, the balance of advance payments received is reduced on each silver delivery by the excess of the prevailing market value of the silver at the time of delivery over the per-ounce cash amount paid by Silver Wheaton at the time of delivery. After the initial 40 year term of the streaming interest, the Corporation is required to refund the balance of any advance payments received and not yet reduced through silver deliveries. The Corporation would also be required to refund the balance of advance payments 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 payments 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, 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 payment of 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 now 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 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.

In 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. Net cash proceeds from the issuance were \$6,483,000, after issuance costs comprised of the agent's commission of \$472,000 and other issuance costs of \$80,000. As a consequence of its commitment to renounce deductible exploration expenditures to the purchasers of the flow-through shares, as of December 31, 2013 the Corporation was required to incur further renounceable exploration expenditures totaling \$5,008,000 by December 31, 2014. Alexco incurred the required \$5,008,000 of renounceable exploration expenditures by the deadline of December 31, 2014.

In August 2014, the Corporation completed a bought deal financing pursuant to a short form prospectus, issuing 7,015,000 units at a price of \$1.15 per unit for gross proceeds of \$8,067,000. Each unit was comprised of one common share and one half of one common share purchase warrant, each full warrant entitling the holder to acquire one additional common share at a price of \$1.40 for a period of two years after the closing date. The net cash proceeds from this financing were \$7,179,000, and are for further exploration and development activities on the KHSD property, particularly the Flame & Moth deposit, and for general working capital purposes

With its cash resources and net working capital on hand at December 31, 2014, and assuming no re-start of mining operations, Alexco anticipates it will have sufficient capital resources to carry out all of its currently-anticipated exploration and development programs, and service the working capital requirements of its mine site care and maintenance, exploration activity, environmental services business and corporate offices and administration, for at least the next 12 month period. However, as noted elsewhere in this MD&A, re-start of mining operations is dependent on a number of factors, including sustained improvements in silver markets and the effectiveness of cost structure reduction measures, and the uncertainties around the achievement of these factors are significant. Furthermore, a re-start of mining operations is likely to require additional capital investment, significantly in excess of the capital resources currently on hand. In addition, the amendments to the Silver Wheaton silver streaming interest, which have significant positive implications to Alexco, will only be triggered by a payment of US\$20 million being made by December 31, 2015. Because of these factors, combined with its long term objectives for the exploration and development of its mineral properties, the Corporation is likely to require additional funding.

Historically, Alexco's main sources of funding have been from mining operations and equity issuances, though all sources of finance reasonably available to it will be considered, 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. There can be no assurance of a re-start of mining operations or continued access to finance in the future, and an inability to generate or secure such funding may require the Corporation to substantially curtail and defer its planned exploration and development activities.

The following table summarizes the current contractual obligations of the Corporation and associated payment requirements over the next five years and thereafter:

Contractual Obligations (expressed in thousands of dollars)	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	After 5 years
Operating leases	\$ 628	\$ 487	\$ 141	\$ Nil	\$ Nil
Purchase obligations	200	100	100	Nil	Nil
Decommissioning and rehabilitation provision (undiscounted basis)	4,780	Nil	1,713	826	2,241
<b>Total</b>	<b>\$ 5,608</b>	<b>\$ 587</b>	<b>\$ 1,954</b>	<b>\$ 826</b>	<b>\$ 2,241</b>

### Share Data

As at the date of this MD&A, the Corporation has 69,588,898 common shares issued and outstanding, including shares held by the Corporation's restricted share unit plan trustee. In addition, there are outstanding incentive share options for a further 4,507,830 common shares, restricted share units that can be settled by way of shares issued from treasury for a further 418,860 common shares, and purchase warrants for a further 3,963,475.

### Use of Financial Instruments

All of Alexco's cash and cash equivalents at December 31, 2014 were held in the form of demand deposits. Alexco's restricted cash and deposits were held in the form of term deposits and demand deposits. Alexco's other financial instruments were its trade and other accounts receivable, including embedded derivative, its accounts payable and accrued liabilities, and its long-term investments in common shares and warrants of TIL.

At December 31, 2014, a total of \$4,181,000 of Alexco's restricted cash and deposits represent security provided to regulatory bodies under safekeeping agreements in accordance with its various operating permits. This security is in respect of mine-site reclamation at certain of Alexco's mineral properties, and is releasable back to Alexco as and when reclamation activities are completed. A further \$5,805,000 (US\$5,000,000) represents security provided in the first quarter of 2012 to support certain cost performance commitments under an AEG remediation contract. The balance of Alexco's restricted cash and deposits represent security provided in respect of certain long-term operating lease commitments. Though the majority of term deposits held at December 31, 2014 are included in long term restricted cash, as individual financial instruments they carried initial maturity periods of one year or less. They have been classified as investments held to maturity and accordingly are carried at amortized cost using the effective interest method. All term deposits held are high grade, low risk investments, generally yielding between 1% and 2% per annum, and their carrying amounts approximate their fair values given their short terms and low yields.

The carrying amounts of Alexco's trade and other accounts receivable and accounts payable and accrued liabilities are estimated to reasonably approximate their fair values, while the carrying amount of the long-term investments in common shares and warrants of TIL are marked to fair value at each balance sheet date. The fair values of all of Alexco's financial instruments measured at December 31, 2014, other than cash and cash equivalents and the common shares of TIL included in long-term investments, constitute Level 2 measurements within the fair value hierarchy defined under IFRS. The fair value of cash and cash equivalents and the common shares of TIL constitute Level 1 measurements.

Substantially all of Alexco's cash, demand deposits and term deposits are held with major financial institutions in Canada. With respect to these instruments, management believes the exposure to credit risk is insignificant due to the nature of the institutions with which they are held, and that the exposure to liquidity and interest rate risk is similarly insignificant given the low-risk-premium yields and the demand or short-maturity-period character of the deposits.

Alexco's accounts and other receivables at December 31, 2014 total \$3,951,000, comprised primarily of AEG trade receivables and goods and services tax refunds receivable from government. Alexco's maximum credit risk exposure in respect of its receivables is represented by their carrying amount. Management actively monitors exposure to

credit risk under its receivables, particularly AEG trade receivables, and considers the risk of loss to be significantly mitigated due to the financial strength of AEG's major customers which include government organizations as well as substantial corporate entities. As at December 31, 2014, AEG trade receivables are recorded net of a recoverability provision of \$479,000.

Substantially all of Alexco's property, plant and equipment and mineral properties are located in Canada; all of its mining operations and mineral exploration occur in Canada; and a significant majority of AEG's revenues are earned in Canada. However, a portion of AEG's revenues are effected in US dollars, and receivables arising therefrom are accordingly denominated in US dollars. Also, while a significant majority of the Corporation's operating costs are denominated in Canadian dollars, it does have some exposure to costs, and therefore accounts payable and accrued liabilities, denominated in US dollars

Consistent with its primary policy, the Corporation has not employed any hedging activities in respect of the prices for its payable metals. The Corporation has also not employed any hedging activities in respect of its exposure to fluctuations in the value of the US dollar.

### Off-Balance Sheet Arrangements

Alexco has no off-balance sheet arrangements.

### 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.

### Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period reported. Management uses its best estimates for these purposes, based on assumptions that it believes reflect the most probable set of economic conditions and planned courses of action.

The critical accounting estimates used in preparing the Corporation's financial statements are listed below.

#### *Future Commodity Prices and Foreign Currency Exchange Rates*

Management's estimation of future commodity prices and foreign currency exchange rates is 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. Estimates are made by management regarding year-by-year prices and rates looking forward approximately three to four years, as well as for long-term prices and rates.

With respect to estimates of future commodity prices and foreign currency exchange rates used in preparing the financial statements as at December 31, 2014, management has determined its best estimates of pricing for silver ranging from near-term US\$16.75 to US\$18.00 to long-term US\$19.50 to US\$20.00 per ounce; for gold ranging approximating US\$1,225 per ounce near-term up to US\$1,300 long-term; for lead ranging from near-term US\$1.00 to US\$1.05 to long-term US\$0.94 per pound; for zinc ranging from near-term US\$1.08 to US\$1.18 to long-term US\$1.00 per pound; and for the Canadian dollar ranging from near-term US\$0.80 to US\$0.85 to long term US\$0.85.

Commodity prices and foreign currency exchange rates are by nature difficult to predict and highly volatile, responding to changes in domestic, international, political, social and economic environments (see "Risk Factors", including but not limited to "Potential Profitability of Mineral Properties Depends Upon Other Factors Beyond the Control of the Corporation" thereunder). Although management makes its best estimates of these prices and rates at each reporting period, such estimates are nonetheless subject to a significant amount of inherent uncertainty. Changes in such prices and rates over time could result in material adjustments in the future to other estimates and assumptions on which they are based, and material variances of actual results from prior estimates and assumptions.

#### *Mineral Resources*

The Corporation estimates its mineral resources based on information compiled by appropriately qualified persons relating to estimated and 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 commodity prices, foreign exchange rates, future capital requirements and production costs. These mineral resource estimates are used by Alexco in many determinations required to prepare its 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 deferred advance payments received under the silver streaming interest; and estimating amounts of deferred income taxes. Although management makes its best estimates of the Alexco's mineral resources, such estimates are nonetheless subject to a significant amount of inherent uncertainty. It is possible that changes in such estimated resources over time could result in material adjustments in the future to determinations on which they are based.

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

Alexco records its interests in property, plant, equipment, mineral properties and intangible assets at cost, less related depreciation, depletion and amortization. Management 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. If the recoverable amount, being the higher of the asset's "fair value less cost of disposal" and "value-in-use", is less than the carrying amount of the asset, an impairment loss is recognized and the asset is written down to recoverable value.

As at December 31, 2014, 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 this period. In 2014 silver prices decreased from a high of \$22.05 per ounce to a low on December 31, 2014 of \$15.97 per ounce. As a result, 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, and recognized an impairment loss at December 31, 2014 against the mining operations segment totaling \$22,921,000 before taxes, of which \$18,093,000 was attributed to mineral properties and \$4,828,000 to property, plant and equipment.

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. 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.

Management's estimates of many of the factors relevant to completing these assessments, including commodity prices, foreign currency exchange rates, mineral resources, and operating, capital and reclamation costs, are subject to significant risks and uncertainties that may affect the determination of the recoverability of the carrying amounts of

its non-current non-financial assets. Although management has used its best estimate of these factors, it is possible that material changes could occur which may adversely affect management's estimate of these recoverable amounts.

#### *Decommissioning and Rehabilitation Provision*

Alexco's decommissioning and rehabilitation provision represents the present value of expected future expenditures on reclamation and closure activities associated with its property, plant, equipment and mineral properties. Alexco prepares estimates of the timing and amount of expected cash flows associated with these reclamation and closure activities, retaining independent advisors where considered appropriate. The present value of the expected future expenditures is determined using a risk-free pre-tax discount rate reflecting the time value of money and risks specific to the liability. A decommissioning and rehabilitation provision is generally recognized 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.

At December 31, 2014, the Corporation's decommissioning and rehabilitation provision totaled \$4,070,000 relating to reclamation and closure activities to be performed at the end of the life of the Bellekeno, Lucky Queen and Onek mines, including site reclamation and facilities removal and post-closure monitoring.

The provision has been determined by management based on the evaluations and estimations prepared internally and used in support of the determination of the reclamation security posting requirements under the operating permits issued for the mines by the Yukon Government.

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. The making of such evaluations and estimates is subject to significant inherent uncertainty. The future cash flows required to settle the obligation may therefore vary materially from those anticipated by the provision currently recognized in Alexco's balance sheet, and periodic re-evaluations of that provision may result in material changes to its balance.

#### **Changes In and Initial Adoption of Accounting Standards and Policies**

##### *Accounting Standards and Amendments Issued but Not Yet 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 3, Business Combinations (effective for annual periods beginning on or after July 1, 2014) requires that an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as a financial liability or as equity on the basis of the definitions of IAS 32. Additionally, it clarifies that IFRS 3 does not apply to the formation of any joint arrangement and that the scope exemption only applies in the financial statements of the joint arrangement itself.

- 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 19 Employee Benefits (effective for annual periods beginning on or after July 1, 2014) clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.
- 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.

## **Non-IFRS Measures**

### *Adjusted Income (Loss)*

Adjusted loss excludes amounts recorded with respect to impairment charges, and within this MD&A is provided before tax, net of tax and on a per-share basis. These measures are used by management to facilitate comparability between periods, and are believed to be relevant to external users for the same reason. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

These adjusted income (loss) measures are reconciled to financial statement loss measures for the years ending December 31, 2014, 2013 and 2012 as follows (dollar amounts in thousands, and denominated in Canadian dollars), with adjusted income (loss) per share calculated using the same weighted average number of shares outstanding as used for the financial statement measure:

	2014	2013	2012
Income (loss) before taxes	\$ (35,608)	\$ (62,079)	\$ 7,979
Subtract:			
Write-down of mineral properties	25,103	51,840	-
Write-down of property, plant and equipment	4,828	3,501	-
Write-down of long-term investments	-	1,785	-
Adjusted income (loss) before taxes	(5,677)	(4,953)	7,979
Net recovery of (provision for) income taxes, excluding deferred tax effect of above-noted write-downs	314	640	(4,559)
Adjusted net income (loss)	\$ (5,363)	\$ (4,313)	\$ 3,420
Adjusted earnings (loss) per share (basic and diluted)	\$(0.08)	\$(0.07)	\$0.06

## Controls and Procedures

### *Disclosure Controls and Procedures*

Alexco's management, with the participation of its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Corporation's disclosure controls and procedures. Based upon the results of that evaluation, the Alexco's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, Alexco's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by Alexco in reports it files under applicable securities legislation is recorded, processed, summarized and reported within the appropriate time periods and forms specified in those rules and include controls and procedures designed to ensure that information required to be disclosed by Alexco in reports it files under applicable securities legislation is accumulated and communicated to Alexco's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### *Internal Control Over Financial Reporting*

The management of Alexco 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 the accounting principles under which the Alexco's financial statements are prepared. 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.

There has been no change in Alexco's internal control over financial reporting during Alexco's fiscal year ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, Alexco's internal control over financial reporting.

### **Risk Factors**

The following are major risk factors management has identified which relate to Alexco's business activities. Such risk factors could materially affect Alexco's future financial results, and could cause events to differ materially from those described in forward-looking statements relating to Alexco. Though the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to Alexco's business and operations. Other specific risk factors are discussed elsewhere in this MD&A.

#### *Exploration, Evaluation and Development*

Mineral exploration, evaluation and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. With respect to Alexco's properties, should any ore reserves exist, substantial expenditures will be required to confirm ore reserves which are sufficient to commercially mine, and to obtain the required environmental approvals and permitting required to commence commercial operations. Should any mineral resource be defined on such properties there can be no assurance that the mineral resource on such properties can be commercially mined or that the metallurgical processing will produce economically viable and saleable products. The decision as to whether a property contains a commercial mineral deposit and should be brought into production will depend upon the results of exploration programs and/or technical studies, and the recommendations of duly qualified engineers and/or geologists, all of which involves significant expense. This decision will involve consideration and evaluation of several significant factors including, but not limited to: (1) costs of bringing a property into production, including exploration and development work, preparation of appropriate technical studies and construction of production facilities; (2) availability and costs of financing; (3) ongoing costs of production; (4) market prices for the minerals to be produced; (5) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and (6) political climate and/or governmental regulation and control.

The ability of Alexco to sell, and profit from the sale of any eventual production from any of the Alexco's properties will be subject to the prevailing conditions in the marketplace at the time of sale. Many of these factors are beyond the control of Alexco and therefore represent a market risk which could impact the long term viability of Alexco and its operations.

*Figures for the Alexco's Resources are Estimates Based on Interpretation and Assumptions and May Yield Less Mineral Production Under Actual Conditions than is Currently Estimated*

In making determinations about whether to advance any of its projects to development, Alexco must rely upon estimated calculations as to the mineral resources and grades of mineralization on its properties. Until ore is actually mined and processed, mineral resources and grades of mineralization must be considered as estimates only. Mineral resource estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling which may prove to be unreliable. Alexco cannot be certain that:

- reserve, resource or other mineralization estimates will be accurate; or
- mineralization can be mined or processed profitably.

Any material changes in mineral resource estimates and grades of mineralization will affect the economic viability of placing a property into production and a property's return on capital. Alexco's resource estimates have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for silver, gold, lead, zinc and other commodities may render portions of Alexco's mineralization uneconomic and result in reduced reported mineral resources.

#### *Keno Hill District*

While Alexco has conducted exploration activities in the Keno Hill District, other than with respect to Bellekeno, Lucky Queen and Flame & Moth, further review of historical records and additional exploration and geological testing will be required to determine whether any of the mineral deposits it contains are economically recoverable. There is no assurance that such exploration and testing will result in favourable results. The history of the Keno Hill District has been one of fluctuating fortunes, with new technologies and concepts reviving the District numerous times from probable closure until 1989, when it did ultimately close down for a variety of economic and technical reasons. Many or all of these economic and technical issues will need to be addressed prior to the commencement of any future production on the Keno Hill properties.

#### *Mining Operations*

Decisions by Alexco to proceed with the construction and development of mines, including Bellekeno, are based on development plans which include estimates for metal production and capital and operating costs. Until completely mined and processed, no assurance can be given that such estimates will be achieved. Failure to achieve such production and capital and operating cost estimates or material increases in costs could have an adverse impact on the Corporation's future cash flows, profitability, results of operations and financial condition. Alexco's actual production and capital and operating costs may vary from estimates for a variety of reasons, including: actual resources mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the mineable resources, such as the need for sequential development of resource bodies and the processing of new or different resource grades; revisions to mine plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods and earthquakes; and unexpected labour shortages or strikes. Costs of production may also be affected by a variety of factors, including changing waste ratios, metallurgical recoveries, labour costs, commodity costs, general inflationary pressures and currency rates. In addition, the risks arising from these factors are further increased while any such mine is progressing through the ramp-up phase of its operations and has not yet established a consistent production track record.

Furthermore, mining operations at the Bellekeno mine project were suspended as of early September 2013 as a result of sharp and significant declines in precious metals prices during the second quarter of 2013. Re-start of mining operations is dependent on a number of factors, including sustained improvements in silver markets and the effectiveness of cost structure reduction measures, and the uncertainties around the achievement of these factors are significant.

#### *Employee Recruitment and Retention*

Recruitment and retention of skilled and experienced employees is a challenge facing the mining sector as a whole. During the late 1990s and early 2000s, with unprecedented growth in the technology sector and an extended cyclical downturn in the mining sector, the number of new workers entering the mining sector was depressed and significant number of existing workers departed, leading to a so-called "generational gap" within the industry. Since the mid-2000s, this factor was exacerbated by competitive pressures as the mining sector experienced an extended cyclical upturn. Additional exacerbating factors specific to Alexco include competitive pressures in labour force demand from the oil sands sector in northern Alberta and the mining and oil & gas sectors in British Columbia, and the fact that Alexco's Keno Hill District is a fly-in/fly-out operation. Alexco has experienced employee recruitment and retention challenges, particularly with respect to mill operators in 2011 and through the first three quarters of 2012. There can be no assurance that such challenges won't continue or resurface, not only with respect to the mill but in other District operational areas as well including mining and exploration. Furthermore, any re-start of mining operations will necessitate the re-hiring of mine and mill personnel.

### *Permitting and Environmental Risks and Other Regulatory Requirements*

The current or future operations of Alexco, including development activities, commencement of production on its properties and activities associated with Alexco's mine reclamation and remediation business, require permits or licenses from various federal, territorial and other governmental authorities, and such operations are and will be governed by laws, regulations and agreements governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities and in mine reclamation and remediation activities generally experience increased costs and delays as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits and permit modifications which Alexco may require for the conduct of its operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any project which Alexco might undertake, including but not limited to the Bellekeno mine project.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in mine reclamation and remediation activities may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies and mine reclamation and remediation activities could have a material adverse impact on the Corporation. As well, policy changes and political pressures within and on federal, territorial and First Nation governments having jurisdiction over or dealings with Alexco could change the implementation and interpretation of such laws, regulations and permits, also having a material adverse impact on Alexco. Such impacts could result in one or more of increases in capital expenditures or production costs, reductions in levels of production at producing properties or abandonment or delays in the development of new mining properties.

### *Environmental Services*

A material decline in the level of activity or reduction in industry willingness to spend capital on mine reclamation, remediation or environmental services could adversely affect demand for AEG's environmental services. Likewise, a material change in mining product commodity prices, the ability of mining companies to raise capital or changes in domestic or international political, regulatory and economic conditions could adversely affect demand for AEG's services.

Two of AEG's customers accounted for 32.4% and 30.0%, respectively, of environmental services revenues in the 2014 fiscal year. The loss of, or a significant reduction in the volume of business conducted with, either of these customers could have a significant detrimental effect on Alexco's environmental services business.

The patents which Alexco owns or has access to or other proprietary technology may not prevent AEG's competitors from developing substantially similar technology, which may reduce AEG's competitive advantage. Similarly, the loss of access to any of such patents or other proprietary technology or claims from third parties that such patents or other proprietary technology infringe upon proprietary rights which they may claim or hold would be detrimental to AEG's reclamation and remediation business.

Alexco may not be able to keep pace with continual and rapid technological developments that characterize the market for AEG's environmental services, and Alexco's failure to do so may result in a loss of its market share. Similarly, changes in existing regulations relating to mine reclamation and remediation activities could require Alexco to change the way it conducts its business.

AEG is dependent on the professional skill sets of its employees, some of whom would be difficult to replace. The loss of any such employees could significantly affect AEG's ability to service existing clients, its profitability and its ability to grow its business.

### *Potential Profitability of Mineral Properties Depends Upon Factors Beyond the Control of Alexco*

The potential profitability of mineral properties is dependent upon many factors beyond Alexco's control. For instance, world prices of and markets for gold, silver, lead and zinc are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery of mined ore may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, materials, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways Alexco cannot predict and are beyond Alexco's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of Alexco.

### *First Nation Rights and Title*

The nature and extent of First Nation rights and title remains the subject of active debate, claims and litigation in Canada, including in the Yukon and including with respect to intergovernmental relations between First Nation authorities and federal, provincial and territorial authorities. There can be no guarantee that such claims will not cause permitting delays, unexpected interruptions or additional costs for Alexco's projects.

### *Title to Mineral Properties*

The acquisition of title to mineral properties is a complicated and uncertain process. The properties may be subject to prior unregistered agreements of transfer or land claims, and title may be affected by undetected defects. Alexco has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although Alexco has made efforts to ensure that legal title to its properties is properly recorded in the name of Alexco, there can be no assurance that such title will ultimately be secured.

### *Capitalization and Commercial Viability*

Alexco will require additional funds to further explore, develop and mine its properties. Alexco has limited financial resources, and there is no assurance that additional funding will be available to Alexco to carry out the completion of all proposed activities, for additional exploration or for the substantial capital that is typically required in order to place a property into commercial production. Although Alexco has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that Alexco will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

### *General Economic Conditions May Adversely Affect Alexco's Growth and Profitability*

The unprecedented events in global financial markets since 2008 have had a profound impact on the global economy and led to increased levels of volatility. Many industries, including the mining industry, are impacted by these market conditions. Some of the impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign currency exchange and precious metal markets, and a lack of market liquidity. If the current turmoil and volatility levels continue they may adversely affect Alexco's growth and profitability. Specifically:

- a global credit/liquidity or foreign currency exchange crisis could impact the cost and availability of financing and Alexco's overall liquidity;
- the volatility of silver and other commodity prices would impact Alexco's revenues, profits, losses and cash flow;
- volatile energy prices, commodity and consumables prices and currency exchange rates would impact Alexco's operating costs; and

- the devaluation and volatility of global stock markets could impact the valuation of Alexco's equity and other securities.

These factors could have a material adverse effect on Alexco's financial condition and results of operations.

### Summary of Resources

The following table sets forth the estimated resources for the Corporation's mineral properties:

Category <sup>1,2,11</sup>	Property	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Contained Ag (oz)
<b>Indicated</b>	Bellekeno Deposit <sup>3&amp;4</sup>	262,000	585	<i>n/a</i>	3.5%	5.3%	4,927,000
	Lucky Queen Deposit <sup>3&amp;5</sup>	124,000	1,227	0.2	2.6%	1.7%	4,892,000
	Flame & Moth Deposit <sup>3&amp;6</sup>	1,378,000	516	0.4	1.7%	5.7%	22,861,000
	<b>Eastern Keno Hill Silver District<sup>3</sup></b>	<b>1,764,000</b>	<b>576</b>	<b><i>n/a</i></b>	<b>2.0%</b>	<b>5.4%</b>	<b>32,680,000</b>
	Onek <sup>3&amp;7</sup>	654,000	200	0.6	1.3%	12.3%	4,205,000
	Birmingham <sup>3&amp;8</sup>	257,000	460	0.1	2.0%	2.1%	3,801,000
	<b>Total Indicated – Sub-Surface</b>	<b>2,675,000</b>	<b>473</b>	<b><i>n/a</i></b>	<b>1.9%</b>	<b>6.7%</b>	<b>40,686,000</b>
	Elsa Tailings <sup>9</sup>	2,490,000	119	0.1	1.0%	0.7%	9,527,000
	<b>Total Indicated – All Deposits</b>	<b>5,165,000</b>	<b>302</b>	<b><i>n/a</i></b>	<b>1.4%</b>	<b>3.8%</b>	<b>50,213,000</b>
<b>Inferred</b>	Bellekeno Deposit <sup>3&amp;4</sup>	243,000	428	<i>n/a</i>	4.1%	5.1%	3,344,000
	Lucky Queen Deposit <sup>3&amp;5</sup>	150,000	571	0.2	1.4%	0.9%	2,754,000
	Flame & Moth Deposit <sup>3&amp;6</sup>	107,000	313	0.3	0.9%	4.2%	1,077,000
	<b>Eastern Keno Hill Silver District<sup>3</sup></b>	<b>500,000</b>	<b>446</b>	<b><i>n/a</i></b>	<b>2.6%</b>	<b>3.7%</b>	<b>7,175,000</b>
	Onek <sup>3&amp;7</sup>	234,000	134	0.4	1.2%	8.9%	1,008,000
	Birmingham <sup>3&amp;8</sup>	102,000	372	0.1	1.1%	1.8%	1,220,000
	<b>Total Inferred</b>	<b>836,000</b>	<b>350</b>	<b><i>n/a</i></b>	<b>2.0%</b>	<b>4.9%</b>	<b>9,403,000</b>
<b>Historical Resources</b>	Silver King <sup>10</sup>						
	- Proven, probable and indicated	<b>98,998</b>	<b>1,354</b>	<b><i>n/a</i></b>	<b>1.6%</b>	<b>0.1%</b>	<b>4,310,000</b>
	- Inferred	<b>22,581</b>	<b>1,456</b>	<b><i>n/a</i></b>	<b>0.1%</b>	<b><i>n/a</i></b>	<b>1,057,000</b>

Notes:

1. All mineral resources are classified following the CIM Definition Standards for Mineral Resources and Mineral Reserves (December 2005), in accordance with the CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines and the guidelines of NI 43-101.
2. Mineral resources are not mineral reserves and do not have demonstrated economic viability. All numbers have been rounded to reflect the relative accuracy of the estimates.
3. The Eastern Keno Hill Silver District is comprised of three deposits: Bellekeno, Lucky Queen and Flame & Moth which are incorporated into the current mine plan outlined in the technical report filed on SEDAR dated December 10, 2014 entitled "Updated Preliminary Economic Assessment for the Keno Hill Silver District Project – Phase 2, Yukon, Canada". Onek and Birmingham are other deposits in the Keno Hill Silver District. The resource estimates for the Eastern Keno Hill Silver District, Onek and Birmingham are supported by disclosure in the news release dated December 23, 2014 entitled "Alexco Updates Positive Preliminary Economic Assessment for Expanded Silver Production from Keno Hill Silver District, Yukon" and by a technical report filed on SEDAR dated December 10, 2014 entitled "Updated Preliminary Economic Assessment for the Keno Hill Silver District Project – Phase 2, Yukon, Canada".
4. The resource estimates for the Bellekeno deposit are based on a geologic resource estimate having an effective date of September 30, 2012. The Bellekeno indicated resources are as at September 30, 2013, and reflect the geologic resource less estimated subsequent depletion from mine production.
5. The resource estimates for the Lucky Queen deposit have an effective date of July 27, 2011.
6. The resource estimates for the Flame & Moth deposit have an effective date of January 30, 2013.
7. The resource estimates for Onek have an effective date of October 15, 2014.
8. The resource estimates for Birmingham have an effective date of October 15, 2014.
9. The resource estimate for the Elsa Tailings has an effective date of April 22, 2010, and is supported by the technical report dated June 16, 2010 entitled "Mineral Resource Estimation, Elsa Tailings Project, Yukon, Canada".
10. Historical resources for Silver King are supported by disclosure in the news release dated December 23, 2014 entitled "Alexco Updates Positive Preliminary Economic Assessment for Expanded Silver Production from Keno Hill Silver District, Yukon"
11. The disclosure regarding the summary of estimated resources for Alexco's mineral properties within the Keno Hill District has been reviewed and approved by Scott Smith, P.Eng., former Bellekeno Mine Manager and a Qualified Person as defined by NI 43-101.

### Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of applicable Canadian securities laws

(together, “forward-looking statements”) concerning the Corporation's business plans, including but not limited to anticipated results and developments in the Corporation's operations in future periods, planned exploration and development of its mineral properties, plans related to its business and other matters that may occur in the future, made as of the date of this MD&A.

Forward-looking statements may include, but are not limited to, statements with respect to future remediation and reclamation activities, future mineral exploration, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, future mine construction and development activities, future mine operation and production, the timing of activities, the amount of estimated revenues and expenses, the success of exploration activities, permitting time lines, requirements for additional capital and sources and uses of funds. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “anticipates”, “plans”, “estimates”, “intends”, “strategy”, “goals”, “objectives” or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be “forward-looking statements”.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements. Such factors include, but are not limited to, risks related to actual results and timing of exploration and development activities; actual results and timing of mining activities; actual results and timing of environmental services operations; actual results and timing of remediation and reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of silver, gold, lead, zinc and other commodities; possible variations in mineable resources, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; First Nation rights and title; continued capitalization and commercial viability; global economic conditions; competition; and delays in obtaining governmental approvals or financing or in the completion of development activities. Furthermore, forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Corporation or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including but not limited to those referred to in this MD&A under the heading “Risk Factors” and elsewhere.

Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. In making the forward-looking statements included in this MD&A, the Corporation has applied several material assumptions, including, but not limited to, the assumption that: (1) the proposed development of its mineral projects will be viable operationally and economically and proceed as planned; (2) market fundamentals will result in sustained silver, gold, lead and zinc demand and prices, and such prices will not be materially lower than those estimated by management in preparing the December 31, 2014 financial statements; (3) the actual nature, size and grade of its mineral resources are materially consistent with the resource estimates reported in the supporting technical reports; and (4) any additional financing needed will be available on reasonable terms. Other material factors and assumptions are discussed throughout this MD&A and, in particular, under both “Critical Accounting Estimates” and “Risk Factors”.

The Corporation's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and should not be relied on as representing the Corporation's views on any subsequent date. While the Corporation anticipates that subsequent events may cause its views to change, the Corporation specifically disclaims any intention or any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by applicable law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

### **Cautionary Note to U.S. Investors – Information Concerning Preparation of Resource Estimates**

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum (the “**CIM**”) – *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. These definitions differ from the definitions in the United States Securities and Exchange Commission's (“**SEC**”) Industry Guide 7 under the United States Securities Act of 1933, as amended. Under SEC Industry Guide 7 standards, mineralization cannot be classified as a “reserve”

unless the determination has been made that the mineralization could be economically and legally extracted at the time the reserve determination is made. As applied under SEC Industry Guide 7, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves, and all necessary permits and government authorizations must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all or any part of a mineral deposit in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information concerning mineral deposits contained in this MD&A may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.