

**Alexco Resource Corp.
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

General

This Management's Discussion and Analysis ("MD&A") of Alexco Resource Corp. ("Alexco" or the "Corporation") is dated March 27, 2013 and provides an analysis of Alexco's financial results for the fiscal year ended December 31, 2012 compared to the six month transitional year ended December 31, 2011 and the year ended June 30, 2011.

The following information should be read in conjunction with the Corporation's December 31, 2012 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 the Corporation are available on the Corporation's website at www.alexcoresource.com and on the SEDAR website at 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., 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)	For the year ended December 31, 2012	For the six month transitional year ended December 31, 2011	For the year ended June 30, 2011
Revenue from mining operations	76,725	38,639	38,269
Gross profit from mining operations	15,034	9,869	14,917
Revenue from environmental services	7,983	3,876	6,833
Gross profit (loss) from environmental services	2,886	279	(64)
Revenue from all operations	84,708	42,515	45,102
Gross profit from all operations	17,920	10,148	14,853
Net income (loss) for the year	3,420	1,723	3,097
Earnings (loss) per share –			
Basic	\$0.06	\$0.03	\$0.05
Diluted	\$0.06	\$0.03	\$0.05
Total assets	212,300	210,668	210,593
Total long-term liabilities	49,355	57,997	61,408
Dividends declared	Nil	Nil	Nil

Summary of Resources

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

Category ^{1,2}	Property	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Contained Ag (oz)
Indicated	Bellekeno ³	224,100	913	0.5	7.3%	7.1%	6,577,000
	Lucky Queen ⁴	124,000	1,227	0.2	2.6%	1.7%	4,891,000
	Onek ⁵	585,000	194	0.7	1.2%	13.7%	3,648,000
	Flame & Moth ⁶	1,378,000	516	0.4	1.7%	5.7%	22,859,000
	Birmingham ⁷	257,000	460	0.1	2.0%	2.1%	3,800,000
	Total Indicated – Sub-Surface Deposits	2,568,100	506	0.4	2.2%	7.1%	41,775,000
	Elsa Tailings ⁸	2,490,000	119	0.1	1.0%	0.7%	9,526,000
	Total Indicated – All Deposits	5,058,100	316	0.3	1.6%	3.9%	51,301,000
Inferred	Bellekeno ³	111,100	320	0.3	3.1%	17.9%	1,143,000
	Lucky Queen ⁴	150,000	571	0.2	1.4%	0.9%	2,753,000
	Onek ⁵	236,000	203	0.4	1.1%	11.5%	1,540,000
	Flame & Moth ⁶	107,000	313	0.3	0.9%	4.2%	1,081,000
	Birmingham ⁷	102,000	372	0.1	1.1%	1.8%	1,220,000
	Total Inferred	706,100	341	0.3	1.4%	7.8%	7,737,000
Historical Resources	Silver King ⁹						
	- Proven, probable and indicated	98,998	1,354	n/a	1.6%	0.1%	4,310,000
	- Inferred	22,581	1,456	n/a	0.1%	n/a	1,057,000

Notes:

- 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.
- 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.
- The resource estimates for Bellekeno are based on the geologic resource estimate made effective November 9, 2009, supported by the technical report dated December 2, 2009 entitled "Bellekeno Project – Updated Preliminary Economic Assessment Technical Report". The Bellekeno indicated resources are as at December 31, 2012, and reflect the geologic resource less estimated subsequent depletion from mine production.
- The resource estimates for Lucky Queen have an effective date of July 27, 2011, and are supported by disclosure in the news release dated July 27, 2011 entitled "Alexco Announces Initial Resource Estimates for Lucky Queen and Onek" and by a technical report filed on SEDAR dated September 8, 2011 entitled "Technical Report on the Lucky Queen Deposit, Lucky Queen Property, Keno Hill District, Yukon".
- The resource estimates for Onek have an effective date of July 27, 2011, and are supported by disclosure in the news release dated July 27, 2011 entitled "Alexco Announces Initial Resource Estimates for Lucky Queen and Onek" and by a technical report filed on SEDAR dated September 8, 2011 entitled "Technical Report on the Onek Deposit, Onek Property, Keno Hill District, Yukon".
- The resource estimates for Flame & Moth have an effective date of January 30, 2013, and are supported by disclosure in the news release dated January 31, 2013 entitled "Alexco Expands Flame & Moth Indicated Resource to 22.9 Million Ounces of Silver; Resource Grade Increased, Deposit Remains Open" and by a technical report filed on SEDAR dated March 15, 2013 entitled "Updated Technical Report on Flame & Moth Deposit, Flame & Moth Property, Keno Hill District, Yukon".
- The resource estimates for Birmingham have an effective date of June 27, 2012, and are supported by disclosure in the news release dated June 28, 2012 entitled "Alexco Announces Initial Resource Estimates for Flame & Moth and Birmingham" and by a technical report filed on SEDAR and signature dated August 8, 2012 entitled "Technical Report on the Birmingham Deposit, Birmingham Property, Keno Hill District, Yukon".
- 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".
- Historical resources for Silver King were estimated by United Keno Hill Mines Limited, as documented in an internal report entitled "Mineral Resources and Mineable Ore Reserves" dated March 9, 1997. The historical resources were estimated based on a combination of surface and underground drill holes and chip samples taken on the vein and calculated using the polygonal (block) method and the 1997 CIM definitions for resource categories. These estimated historical resources include a total of 55,674 tonnes classified as proven and probable reserves and 43,324 tonnes classified as indicated resources, plus an additional 22,581 tonnes classified as inferred resources. Though believed by Alexco management to be relevant and reliable, this estimate of historical resources has not been verified by Alexco, pre-dates NI 43-101 and is not compliant with NI 43-101 resource categories. Verification of the estimate would require new drill holes into a statistically significant number of the historical resource blocks and/or a combination of on-vein sampling. A qualified person has not done sufficient work to classify this estimate of historical resources as current, nor is Alexco treating this historical estimate as a current mineral resource.

Overall Performance

Overall, Alexco reported income before taxes of \$7,979,000 and net income of \$3,420,000 for the year ended December 31, 2012, for basic and diluted earnings of \$0.06 per share, on total revenues of \$84,708,000. This compares to a profit before taxes of \$4,496,000 and a net income of \$1,723,000 for the six month transitional fiscal year ended December 31, 2011. During the year ended December 31, 2012, the Corporation completed the sale of the remainder of its interest in the Brewery Creek property to Americas Bullion Royalty Corp., formerly Golden Predator Corp. ("Americas Bullion Royalty"). In consideration, the Corporation received \$3,205,000 in cash, 7,500,000 common shares of Americas Bullion Royalty, purchase warrants to acquire a further 3,750,000 common shares and a net smelter returns royalty, resulting in a pre-tax gain of \$6,346,000 which is included in income before taxes for the year.

Revenues from mining operations at Bellekeno for the year ended December 31, 2012 totaled \$76,725,000, yielding a gross profit of \$15,034,000. Metal prices for revenue recognized during the year, weighted by dollar of revenue recognized, averaged US\$31.54 per ounce for silver, US\$0.95 per pound for lead and US\$0.89 pound for zinc. Average mill throughput was 260 tonnes per day ("tpd") during the year ended December 31, 2012 compared to 222 for the full calendar year 2011.

Total metal production during 2012 was 2.2 million ounces of silver, 18.2 million pounds of lead and 5.7 million pounds of zinc.

The Corporation's environmental services business, the Alexco Environmental Group ("AEG"), recognized revenues of \$7,983,000 for the year ended December 31, 2012 for a gross profit of \$2,886,000 compared to revenues of \$3,876,000 and a gross profit of \$279,000 during the six month transitional fiscal year ended December 31, 2011. Included in the 2012 gross profit is a net loss of \$333,000 resulting from re-assessments during the year of the estimated environmental services contract loss provision.

Alexco's 2012 surface and underground exploration program in the Keno Hill District was substantially completed in late November. A total of approximately 29,500 meters of drilling was carried out at a number of targets across the District, with surface exploration expenditures for the full program totaling approximately \$12 million. The program included approximately 4,500 meters of drilling underground at the Bellekeno mine and approximately 25,000 meters of surface exploration and definition drilling focused primarily at Flame & Moth and Bermingham as well as targets on the Elsa-Husky trend, and at the McQuesten gold prospect in the western end of the District. At Bellekeno, testing was carried out on mine extension targets that are down dip, along strike and down plunge of the high grade Southwest Zone.

Initial resource estimates for both Flame & Moth and Bermingham were announced in the news release dated June 28, 2012 entitled "Alexco Announces Initial Resource Estimates for Flame & Moth and Bermingham", incorporating drill results through the 2011 exploration program. An updated resource estimate for the Flame & Moth property was subsequently announced in the news release dated January 31, 2013 entitled "Alexco Expands Flame & Moth Indicated Resource to 22.9 Million Ounces of Silver; Resource Grade Increased, Deposit Remains Open". This update incorporated all prior drilling results at Flame & Moth as well as results from the 2012 exploration program.

The quartz mining license authorizing underground mining activity as well as surface disposal of waste rock at both Onek and Lucky Queen was issued in January 2013. With respect to the water license amendment authorizing milling of material from the Onek and Lucky Queen mines, a routine Water Board hearing was completed in February 2013, and issuance of the license amendment is anticipated early in the second quarter of 2013.

The Corporation's cash and cash equivalents at December 31, 2012 totaled \$23,088,000 compared to \$41,741,000 at December 31, 2011, while net working capital totaled \$25,727,000 compared to \$47,997,000 for the same dates respectively. The decrease in net working capital primarily reflects net cash inflows from operations and from the sale of Brewery Creek, offset by expenditures on Keno Hill District exploration activity during the year, rehabilitation and access development activity at the historical Lucky Queen and Onek mines, Bellekeno mine development, and the transfer of funds in the first quarter into long term restricted cash and deposits as security provided to support certain cost performance commitments under an AEG remediation services contract.

Results of Operations

Keno Hill Silver District

All of the Corporation'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"). The Corporation is party to a Comprehensive Cooperation and Benefits Agreement with the FNNND, setting out common understandings, obligations and opportunities arising from all of the Corporation's activities within the Keno Hill District including exploration, care and maintenance, District closure activities and mine production.

The Corporation's various Keno Hill mineral properties comprise mineral rights spanning approximately 24,300 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 1918 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 ton 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 the Corporation'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"). The Corporation's mineral interest holdings in the Keno Hill Silver District comprise a number of properties, including but not limited to Bellekeno, Lucky Queen, Onek, Silver King, Bermingham, Flame & Moth and Elsa Tailings.

Bellekeno Mine Property

As announced in the news release dated January 6, 2011 entitled "Alexco Achieves Commercial Production at Bellekeno", the Corporation declared commercial production to have been achieved as of January 1, 2011 at its Bellekeno underground mine and ore processing complex. Mining is being accomplished by a mining contractor, predominantly using mechanized and conventional cut-and-fill and more latterly long-hole mining methods of ore extraction.

The following is a comparative summary of operating statistics for Bellekeno for the indicated fourth quarter and calendar year periods:

	Three Months Ended		Year Ended	
	2012	2011	2012	2011
Ore tonnes mined	22,385	20,832	86,354	71,992
Ore tonnes processed	26,777	22,554	94,810	81,064
Mill throughput (tonnes per day)	291	245	260	222
Grade of ore processed:				
Silver (grams per tonne)	760	889	760	834
Lead	9.6%	11.1%	9.6%	10.2%
Zinc	4.4%	6.7%	4.8%	6.0%
<u>Recoveries:</u>				
Silver	91%	90%	93%	92%
Lead in lead concentrate	90%	86%	90%	90%
Zinc in zinc concentrate	61%	67%	56%	65%
<u>Concentrate production</u>				
Lead concentrate:				
Tonnes produced	3,518	3,223	13,000	11,042
Concentrate grade:				
Silver (grams per tonne)	5,104	5,123	4,965	5,280
Lead	66%	67%	63%	67%
Zinc concentrate:				
Tonnes produced	1,552	2,305	5,685	6,901
Concentrate grade:				
Silver (grams per tonne)	370	683	413	583
Zinc	47%	44%	45%	46%
<u>Production – contained metal</u>				
Silver (ounces)	595,823	608,093	2,150,959	2,020,644
Lead (pounds)	5,120,451	4,878,780	18,183,755	16,454,334
Zinc (pounds)	1,592,672	2,473,561	5,676,284	7,220,514
<u>Sales volumes by payable metal</u>				
Silver (ounces)	522,894	454,446	2,033,821	1,769,849
Lead (pounds)	4,379,174	3,816,127	17,207,146	14,991,596
Zinc (pounds)	1,082,591	1,788,784	4,771,416	5,697,639
<u>Recognized metal prices¹</u>				
Silver (per ounce)	US\$30.71	US\$29.27	US\$31.54	US\$34.56
Lead (per pound)	US\$1.01	US\$0.93	US\$0.95	US\$1.08
Zinc (per pound)	US\$0.91	US\$0.88	US\$0.89	US\$0.97
<u>Cash costs of production²</u>				
Per ounce of payable silver produced	\$11.13	\$13.66	\$11.89	\$10.17

Notes:

1. Recognized metal prices represent average metal prices for revenue recognized over the period, weighted by dollar of revenue recognized.
2. See "Non-IFRS Measures – Cash Costs Production Per Ounce of Payable Silver" on page 15.

Mill throughput during 2012 averaged 260 tpd compared to 222 tpd in calendar year 2011, with the increase arising primarily in the second half of 2012. Throughput in the first half of 2012 averaged 236 tpd, hampered by a variety of mechanical inefficiencies as well as inexperience and high turnover with mill operating personnel. Significant progress in addressing these issues was made in the third quarter such that mill throughput in the second half of 2012 averaged 284 tpd, with throughput as of the fourth quarter effectively constrained by the need to match Bellekeno mine production rates. Bellekeno mine production silver grades averaged 760 grams per tonne through 2012, approximately 9% lower than in 2011, reflecting mine plan sequencing into lower-grade areas of the mine but also slightly higher dilution resulting from the transition in the second half of 2012 to significant levels of ore extraction by long-hole mining.

Revenue recognized from sale of concentrate for the year ended December 31, 2012 totaled \$76,725,000. Revenue from sale of concentrate is recognized based on the estimated prices for contained payable metal on which final settlement will be determined, net of smelter treatment and refining charges, with changes in such estimated prices through to final settlement recorded as an adjustment to revenue during the period of change. The average metal prices for revenue recognized over the year ended December 31, 2012, weighted by dollar of revenue recognized, were US\$31.54 per ounce for silver, US\$0.95 per pound for lead and US\$0.89 per pound for zinc.

Gross profit from Bellekeno for the year ended December 31, 2012 was \$15,034,000, after a cost of sales of \$61,691,000. Cash costs of production during the year then ended were \$11.89 per ounce of payable silver, compared to \$10.17 during calendar year 2011 (see "Non-IFRS Measure – Cash Costs of Production Per Ounce of Payable Silver" on page 15). The increase in per-ounce costs of production is due primarily to reduced by-product credits due to lower prices for lead and zinc, and somewhat increased costs for concentrate transport, treatment and refining, all partially offset by lower per-ounce, and per-tonne, mining costs resulting from the transition to long-hole mining.

Onek and Lucky Queen Properties

Based on the results of exploration programs carried out by Alexco since 2006, initial mineral resource estimates for each of the Onek and Lucky Queen properties were completed and announced in July 2011 (see the news release dated July 27, 2011 entitled "Alexco Announces Initial Resource Estimates for Lucky Queen and Onek"). The resources estimated for Onek comprise 585,000 tonnes indicated grading 194 grams per tonne silver, 1.23% lead and 13.74% zinc plus another 236,000 tonnes inferred grading 203 grams per tonne silver, 1.05% lead and 11.52% zinc. The resources estimated for Lucky Queen comprise 124,000 tonnes indicated grading 1,227 grams per tonne silver, 2.57% lead and 1.72% zinc plus another 150,000 tonnes inferred grading 571 grams per tonne silver, 1.37% lead and 0.92% zinc.

The Onek property includes the historical Onek underground and open pit mine from which reported past production totaled 95,290 tons averaging 13.6 ounces per ton silver, 5.5% lead and 3.4% zinc. The Onek resource is characterized by silver-galena rich zones within a wide and continuous zinc-rich vein system with higher silver-to-zinc ratios prevalent in the upper and southwest portion of the deposit. The historical Lucky Queen underground mine, located on Keno Hill approximately four kilometers north of Keno City, operated from 1927 to 1932 and produced approximately 11 million ounces of silver at an average grade of 89.2 ounces of silver per ton. The Lucky Queen estimated resource comprises newly-defined mineralization that is located down plunge of the historical Lucky Queen mine, and the newly-defined mineralization remains open further down plunge to the southwest. As a result of the definition of these new resources, metallurgical testing and preliminary mine planning and engineering studies were initiated at both properties in 2011. Rehabilitation of the historical Lucky Queen workings commenced in early 2012, and development to access the historical Onek workings began in earnest in the second quarter of 2012. The quartz mining license authorizing mining at both Onek and Lucky Queen was issued in January 2013. With respect to the water license amendment authorizing milling of material from both mines, a routine Water Board hearing was completed in February 2013, and issuance of the license amendment is anticipated early in the second quarter of 2013.

Other Keno Hill District Properties

The 2012 surface exploration program commenced in late March with two drill rigs mobilized initially, increasing to four by the end of April. The primary focus of the program was at the Flame & Moth and Bermingham properties, as well as targets on the Elsa-Husky trend, and at the McQuesten gold prospect in the western end of the District. The significant results from this program have been announced in news releases dated October 9, 2012 entitled "Alexco Expands Flame & Moth Deposit: Reports Grades Up to 71 Ounces per Ton Silver Over 2.9 Meters, Mineralized

Intervals to 7.4 Meters Grading 25.7 Ounces per Ton Silver, and Accompanying Gold, Lead and Zinc"; January 14, 2013 entitled "Alexco Further Expands Flame & Moth Deposit, Robust Silver Grades and Thicknesses Continue; New Discovery Adds Additional Potential"; and March 4, 2013 entitled "Alexco Intersects 4.0 Meters of 1,640 Grams Per Tonne Silver, Discovers Gold to 14.8 Grams Per Tonne over 1.0 Meter at Bermingham".

During the year ended December 31, 2012, Alexco announced an initial resource estimate for each of the Flame & Moth and Bermingham properties in the Keno Hill Silver District incorporating drill results through the 2011 exploration program (see news releases dated June 28, 2012 entitled "Alexco Announces Initial Resource Estimates for Flame & Moth and Bermingham" and August 8, 2012 entitled "Alexco Files Flame & Moth and Bermingham Technical Reports"). In January 2013, Alexco announced an updated resource estimate for the Flame & Moth property incorporating further drill results from the 2012 exploration program (see news releases dated January 31, 2013 entitled "Alexco Expands Flame & Moth Indicated Resource to 22.9 Million Ounces of Silver; Resource Grade Increased, Deposit Remains Open" and March 15, 2013 entitled "Alexco Files Flame & Moth Technical Report"). The current resources estimated for Flame & Moth comprise 1,378,000 tonnes indicated grading 516 grams per tonne silver, 1.72% lead and 5.70% zinc plus another 107,000 tonnes inferred grading 313 grams per tonne silver, 0.86% lead and 4.21% zinc. The current resources estimated for Bermingham comprise 257,000 tonnes indicated grading 460 grams per tonne silver, 2.00% lead and 2.10% zinc plus another 102,000 tonnes inferred grading 372 grams per tonne silver, 1.12% lead and 1.83% zinc.

The Flame & Moth resource model comprises the north-northeast striking, moderately southeast dipping Flame Vein that is divided into two segments by the northwest striking Mill Fault. The structure hosting the Flame Vein mineralization is characterized by broad structural zones, ranging between 2 meters and 33 meters in true thickness. The mineralization comprises multiphase quartz and siderite veining up to 11.7 meters true width developed within the host fault structure, and locally contains massive galena, sphalerite, pyrite, and pyrrhotite with associated silver sulphosalts, arsenopyrite and chalcopyrite. Gold is locally present at grades up to 6.85 grams per tonne. The deposit as currently defined has a surface trace of approximately 600 meters and has been drilled to a depth of 350 meters from surface. The Bermingham resource model comprises three veins, of which two have been included in the resource estimate (the Bermingham Vein and Bermingham Footwall Vein). All three veins occur in the hangingwall of the northwest trending post-mineral Mastiff Fault (termed the Etta zone), exposed in the larger of the historical Bermingham open pits. Alexco conducted surface diamond drilling programs at Bermingham between 2009 and 2011, with twenty-three holes drilled in the Etta zone totaling 6,442 meters. The drilling outlined the Bermingham Vein with a north-northeast strike and moderate southeast dip, converging to the northeast with the Bermingham Footwall Vein which has a northeast strike and dips moderately to steeply to the southeast. The Bermingham Vein and Bermingham Footwall Vein typically exist within a 5 to 10 meter wide structurally-damaged and complex zone containing discrete veins 0.5 to 2.5 meters wide, consisting predominantly of carbonate (dolomite, ankerite and siderite), quartz and calcite gangue with sulphides; sphalerite, galena, pyrite and arsenopyrite, and accessory chalcopyrite, argentian tetrahedrite, jamesonite, pyrargyrite and native silver.

In addition, engineering and initial economic analysis work is expected to be completed shortly 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 as reported in the news release dated May 6, 2010 entitled "Alexco Announces Initial Elsa Tailings Resource Estimate, Keno Hill".

Environmental Services

Under AEG, the Corporation operates an environmental services business providing a range of services to the mining industry and other clients. Through its wholly owned subsidiaries, Access Mining Consultants Ltd. ("Access"), Alexco Resource U.S. Corp. and Elsa Reclamation & Development Company Ltd. ("ERDC"), the Corporation provides a variety of mine related environmental services including management of the regulatory and environmental permitting process, environmental assessments, remediation solutions and reclamation and closure planning. The Corporation 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 \$7,983,000 in the year ended December 31, 2012 for a gross profit of \$2,886,000 compared to revenues in the six month transitional year ended December 31, 2011 of \$3,876,000 and a gross profit of \$279,000. Included in the gross profit for the 2012 fiscal year is a loss of \$333,000 resulting from re-assessment of the estimated environmental services contract loss provision.

As part of the Corporation's acquisition in 2006 of the UKHM mineral rights in the Keno Hill District, ERDC entered into an agreement (the "Subsidiary Agreement") with the Government of Canada and the Government of Yukon (collectively, "Government"). Under the Subsidiary Agreement, ERDC is retained by Government 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 Subsidiary Agreement provides that ERDC shares the responsibility for the development of the ultimate closure reclamation plan with the Government of Canada, for which it receives fees of 65% of agreed commercial contractor rates, and this plan development is currently ongoing. Upon acceptance and regulatory approval, the closure reclamation plan will be implemented by ERDC at full negotiated contractor rates. During the period required to develop the plan and until the closure plan is executed, ERDC is also responsible for carrying out the environmental care and maintenance at various sites within the UKHM mineral rights, for a fixed annual fee adjusted each year for certain operating and inflationary factors and determined on a site-by-site basis. The portion of the annual fee amount so determined which is billable by ERDC in respect of each site will reduce by 15% each year until all site-specific care and maintenance activities have been replaced by closure reclamation activities; provided however that should a closure reclamation plan be prepared but not accepted and approved, the portion of annual fees billable by ERDC will revert to 85% until the Subsidiary Agreement is either amended or terminated. ERDC receives agreed commercial contractor rates when retained by government to provide environmental services in the Keno Hill District outside the scope of care and maintenance and closure reclamation planning under the Subsidiary Agreement.

Discussions with Government are currently ongoing to mitigate the impact to Alexco of care and maintenance phase extensions resulting from delays in the time required to obtain acceptance and regulatory approval of the closure reclamation plan, as well as the impact of plan development activities. If such mitigative amendments to the Subsidiary Agreement can be implemented, it is possible that all or a substantial component of the Corporation's outstanding environmental services contract loss provision would be reversed. However, there can be no certainty as to if or when such amendments will be agreed, and accordingly no impact from such possible amendments has been taken into account in determining the provision as recorded in the financial statements.

General, Administrative and Corporate

General and administrative expenses during the year ended December 31, 2012 totaled \$16,657,000 compared to \$5,625,000 in the six month transitional fiscal year ended December 31, 2011, with the increase, after allowing for the difference in the period lengths, primarily attributable to a \$0.8 million increase in the recoverability provision against AEG trade receivables as well as \$0.8 million in severance costs related to the departure in the year of an executive officer of the Corporation. The remaining increase is attributable primarily to higher salaries and overhead costs, driven primarily by increased activity levels pertaining to the development and permitting efforts regarding Onek and Lucky Queen. The total provision for income taxes for the year ended December 31, 2012 of \$4,559,000 appears high relative to income before taxes at 57%, similar to the 62% in the six months ended December 31, 2011, due primarily to permanent differences arising from incentive share option expense not being deductible for tax purposes in Canada, and general and corporate expenses not being deductible for Yukon mineral tax purposes.

Outlook

It is anticipated that silver production in 2013 will be sourced from three mines: Bellekeno, Onek, and later in the year, Lucky Queen. Operations at Bellekeno are expected to continue at generally the same pace as 2012, with guidance for silver production in the range from 1.9 million to 2.1 million ounces, approximately 17 million pounds of lead and 9 million pounds of zinc (see "Risk Factors – Mining Operations"). Alexco is well advanced in the rehabilitation, engineering and development of the historical Onek and Lucky Queen mines. Potential initial production from the Onek mine is targeted for the second quarter of 2013 subject to final positive development decisions and receipt of the requisite water license amendment. Lucky Queen production is anticipated in the third quarter, pending a revision to the waste rock management program to eliminate material re-handling and to provide more efficient long term storage, all of which improves the economics of the project.

With respect to the economic climate, prices for silver, lead and zinc, being the primary metals found in the Bellekeno resource in particular and within the Keno Hill District historically, fluctuated significantly throughout 2012. Silver ranged from US\$26.67 to US\$37.23 per ounce, lead from US\$0.79 to US\$1.06 per pound and zinc from US\$0.80 to US\$0.99 per pound, and for lead and zinc this volatility has continued through the first quarter of 2013. Spot prices as at the date of this MD&A are approximately US\$28.78 per ounce silver, US\$0.96 per pound for lead and US\$0.85 per pound for zinc and the Canadian-US exchange rate is approximately US\$0.98 per CAD. Based on a consensus of recent analyst commodity price forecasts, over the next two calendar years silver prices are forecast to average in

the range of US\$31.00 to US\$33.00 per ounce, with lead prices averaging in the range of US\$1.00 to US\$1.05 per pound, zinc prices averaging in the range of US\$0.90 to US\$1.00 per pound and the Canadian-US exchange rate forecast to average approximately US\$0.99 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).

In the first quarter of 2013, mining at Bellekeno has sequenced through significantly lower-grade peripheral areas of the resource, with a reduction in both grade and tonnage mined from the previous quarter. As a result, silver production in the first quarter of 2013 is expected to be lower, with a consequential impact on the quarter’s financial results. This shortfall is expected to be recovered through the balance of the year, and Alexco still anticipates achieving full-year 2013 production guidance for Bellekeno.

Alexco’s exploration drilling plans are still being finalized for 2013, but are expected to be smaller in scale than for 2012, likely in the range of 8,000 to 10,000 meters of surface drilling and focused primarily on further definition and extension related drilling at Flame & Moth. Desktop analysis and correlation of exploration results from prior years will also be carried out with the objective of identifying new exploration targets for future drill programs. Additionally, Alexco is initiating baseline geotechnical, metallurgical and environmental work as well as preliminary engineering on the Flame & Moth deposit, and this work is expected to include studies of future potential production options in context with existing mines and other opportunities in the District.

With respect to AEG, the Corporation 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 Government and in accordance with the Subsidiary Agreement, and continues to service its private sector client base in the Yukon through Access. AEG intends to continue expanding its environmental services activities, throughout northern and eastern Canada, in the United States and elsewhere throughout North and South America. AEG has been able to expand its business in parallel with increased activity in 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. The Corporation notes, however, that growth in AEG may at least partially be offset by continuing closure plan development expenditures and reduced revenue from its care and maintenance activities under the Subsidiary Agreement during the period required to obtain acceptance and regulatory approval from Government for the Keno Hill District closure reclamation plan.

Results of Operations – Fourth Quarter

In the three months ended December 31, 2012, Alexco reported a profit before taxes of \$737,000 on total revenues of \$20,309,000. This compares to income before taxes of \$654,000 on total revenues of \$20,260,000 for the three months ended December 31, 2011.

Revenues from mining operations at Bellekeno in three months ended December 31, 2012 totaled \$18,897,000, yielding a gross profit of \$3,043,000, compared to revenues in the same period in 2011 of \$17,812,000 and a gross profit of \$3,173,000. Metal prices for revenue recognized during this three month period, weighted by dollar of revenue recognized, averaged US\$30.71 per ounce for silver, US\$1.01 per pound for lead and US\$0.91 per pound for zinc, compared to US\$29.27, US\$0.93 and US\$0.88 respectively in the three months ended December 31, 2011. Cash costs of production in the fourth quarter of 2012 were \$11.13 compared to \$13.66 in 2011 (see “Non-IFRS Measure – Cash Costs of Production Per Ounce of Payable Silver” on page 15), with the decrease attributed to significant improvement in mining costs, both per ounce and per tonne, slightly offset by increased smelter charges per ounce for treatment and refining.

Revenues from AEG in the fourth quarter of 2012 totaled \$1,412,000 for gross profit of \$888,000, compared to revenues in 2011 of \$2,448,000 and gross profit of \$554,000.

Income before taxes in the fourth quarter of 2012 is comparable to that of the fourth quarter of 2011. However, this includes approximately \$1.0 million in higher general and administrative expenses, offset by approximately \$0.9 million in favourable foreign exchange gains recorded in the quarter. The increase in general and administrative expenses is primarily attributable to a \$0.5 million increase in the recoverability provision against AEG trade receivables. The remaining increase is attributable to higher professional, salaries and overhead costs, driven primarily by increased activity levels pertaining to the development and permitting efforts regarding Onek and Lucky Queen and finalization negotiations pertaining to the pending amendment to the Subsidiary Agreement.

Summary of Quarterly Results

Key financial information for each quarter of the 2012 fiscal year as well as the quarters spanning the two most recently preceding fiscal years is summarized as follows, reported in thousands of Canadian dollars except for per share amounts:

<i>(unaudited)</i>						
Period	Revenue	Gross Profit (Loss)	Net Income (Loss)	Basic Earnings (Loss) per Share	Diluted Earnings (Loss) per Share	Expenditures on Mineral Properties
F2011-Q1	1,653	473	(335)	(\$0.01)	(\$0.01)	12,262
F2011-Q2	1,733	469	(824)	(\$0.02)	(\$0.02)	8,439
F2011-Q3	20,471	9,000	3,419	\$0.05	\$0.05	6,171
F2011-Q4	21,245	4,911	837	\$0.03	\$0.03	5,485
F2011 Total	45,102	14,853	3,097	\$0.05	\$0.05	32,357
F2011H2-Q1	22,255	6,421	3,072	\$0.05	\$0.05	5,951
F2011H2-Q2	20,260	3,727	(1,349)	(\$0.02)	(\$0.02)	6,229
F2011H2 Total	42,515	10,148	1,723	\$0.03	\$0.03	12,180
F2012-Q1	24,745	7,214	1,340	\$0.02	\$0.02	6,459
F2012-Q2	19,565	1,744	(2,666)	\$(0.04)	\$(0.04)	9,377
F2012-Q3	20,089	5,031	5,265	\$0.09	\$0.09	10,012
F2012-Q4	20,309	3,931	(519)	\$(0.01)	\$(0.01)	8,179
F2012 Total	84,708	17,920	3,420	\$0.06	\$0.06	34,027

The gross profit in F2011-Q4 is net of a \$1,697,000 loss related to an increase in the estimated environmental services contract loss provision. The increased revenues and gross profit from F2011-Q3 forward reflect the commencement of commercial production at the Bellekeno mine as of the beginning of that quarter. The lower gross profit from F2011H2-Q2 reflects the impact of significantly reduced average realized prices and higher costs of production for the quarter at the Bellekeno mine. The increased revenues in F2012-Q1 reflect significantly increased sales volumes of payable metals at Bellekeno as well as somewhat stronger silver prices over the quarter preceding. The increased gross profit from F2012-Q1 reflects the impact of notably lower unit costs of production at the Bellekeno mine, while the gross profit from F2012-Q2 reflects the impact of significantly increased unit costs from reduced head grades and mill throughput as well as reduced base metal credits from lower realized lead and zinc prices. The gross profit of F2012-Q4 includes a loss of \$609,000 resulting from re-assessment of the estimated environmental services contract loss provision. The net income of F2011-Q3 and F2012-Q1 reflect costs associated with the Corporation's annual cash bonuses and incentive share option awards to its employees, including resultant share-based compensation expense recognitions of \$1,663,000 and \$1,375,000 respectively. The net income of F2012-Q3 includes the \$6,346,000 gain, pre-tax, on the Corporation's sale of its remaining interest in the Brewery Creek property. The net income of F2012-Q4 reflects higher overhead costs due to development and permitting efforts regarding Onek and Lucky Queen and the finalizing negotiations pertaining to the pending amendment to the Subsidiary Agreement, offset by favourable foreign exchange gains. The mineral property expenditures in F2011-Q1 reflect the progression of the construction and development phase of the Bellekeno mine project, as well as expenditures on the calendar 2010 exploration program at the Keno Hill properties. The decrease in F2011-Q2 mineral property expenditures reflects the completion of the construction, development and commissioning phase of the Bellekeno mine and ore processing complex, including the establishment of opening inventories balances upon such completion, as well as the offsetting credit for revenue recognized from concentrate sales during the commissioning phase, as well as the impact of the wind-down through the quarter of the 2010 Keno Hill exploration program. The mineral property expenditures in F2011-Q3 include \$3.3 million in capitalized ramp-up phase primary development at Bellekeno, as well as the initiation of the calendar 2011 surface and advanced exploration programs. The mineral property expenditures in F2011-Q4 through F2011H2-Q2 reflect the continuation of the 2011 surface and advanced exploration programs. The mineral property expenditures in F2012-Q1 through F2012-Q3 reflect the 2012 exploration program as well as expenditures on rehabilitation and access development at the historical Lucky Queen and Onek mines.

Liquidity and Capital Resources

At December 31, 2012, the Corporation had cash and cash equivalents of \$23,088,000, and net working capital of \$25,727,000. The Corporation faces no known liquidity issues in any of its financial assets.

Cash generated from operating activities was \$14,057,000 for year ended December 31, 2012 versus \$5,624,000 for the six month transitional fiscal year ended December 31, 2011. Cash used in investing activities was \$33,270,000 for the year ended December 31, 2012 versus \$14,636,000 in the six month period ended December 31, 2011. Expenditures on investing activities increased in the year ended December 31, 2012 related primarily to exploration activity in the Keno Hill District, including expenditures on rehabilitation and access development at the historical Lucky Queen and Onek mine sites, as well as higher Bellekeno mine development expenditures, partially offset by the cash proceeds received on the sale of the Corporation's remaining interest in the Brewery Creek property.

Under the silver streaming interest held by Silver Wheaton Corp. ("Silver Wheaton"), Silver Wheaton is purchasing from the Corporation an amount of refined silver equal to 25% of the payable silver produced by the Corporation from its Keno Hill District mineral properties, if and when such payable silver is delivered to an off-taker and as the Corporation is paid for such payable silver. Silver Wheaton has paid the Corporation advance amounts totaling US\$50 million, the last of which was received in January 2011, and for each ounce of silver purchased must pay the Corporation an additional cash amount of the lesser of US\$3.90 (increasing by 1% per annum after the third year of full production) and the prevailing market price at the time of delivery. 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, 2014, as extended pursuant to an amendment entered into effective January 15, 2013. Commencing January 2014, and ending the earlier of December 31, 2014 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.

Of the net cash proceeds of \$38.8 million raised through the equity financing completed in December 2010, \$35 million was allocated for the purpose of quickly and aggressively enabling the advancement and development of Alexco's mineral projects, and accordingly has funded the surface exploration and advanced exploration programs since that time. As at December 31, 2012, these proceeds have been fully expended on Alexco's exploration programs.

With its cash resources and net working capital on hand at December 31, 2012, and combined with the positive net cash flows from Bellekeno mine operations, the Corporation 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 mining operations, environmental services business and corporate offices and administration, for at least the next 12 month period. However, as with any mine operation and as noted under "Risk Factors" and elsewhere in this MD&A, the results of operations from the Bellekeno mine involve significant inherent risks that could result in material unanticipated capital and operating costs to the Corporation. Furthermore, as non-renewable resources, mines by their nature have a finite life. Because of these factors, combined with its long term objectives for the exploration and development of its mineral properties, the Corporation may eventually require additional funding.

The Corporation has historically obtained its main source of funding from equity issuances, though will consider all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part, including mineral property interests. There can be no assurance of continued access to finance in the future, and an inability to secure such finance 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	\$ 1,540	\$ 414	\$ 760	\$ 366	\$ Nil
Purchase obligations	620	170	350	100	Nil
Decommissioning and rehabilitation provision (undiscounted basis)	3,678	20	1,646	772	1,240
Total	\$ 5,838	\$ 604	\$ 2,756	\$ 1,238	\$ 1,240

Share Data

As at the date of this MD&A, the Corporation has 60,473,898 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 5,211,495 common shares.

Use of Financial Instruments

All of the Corporation's cash and cash equivalents at December 31, 2012 were held in the form of demand deposits. The Corporation's restricted cash and deposits were held in the form of term deposits and demand deposits. The Corporation's only other financial instruments were its trade and other accounts receivable, including embedded derivative, and its accounts payable and accrued liabilities.

At December 31, 2012, a total of \$3,678,000 of the Corporation'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 the Corporation's mineral properties, and is releasable back to the Corporation as and when reclamation activities are completed. A further \$4,992,000 (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 the Corporation's restricted cash and deposits represent security provided in respect of certain long-term operating lease commitments. Though all term deposits held at December 31, 2012 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.

The common shares and share purchase warrants of Americas Bullion Royalty received as part of the consideration for the sale of the Corporation's remaining interest in the Brewery Creek property have been classified as long-term investments. The Corporation has chosen to designate its long-term investments in common shares as financial assets available for sale with fair value adjustments being recorded as a component of other comprehensive income ("OCI"). During the year ended December 31, 2012, the Corporation recorded a pre-tax loss of \$38,000 in OCI for such fair value adjustment. Long-term investments in warrants meet the definition of a derivative and therefore are classified as financial assets with fair value adjustments recorded to earnings. During the year ended December 31, 2012, the Corporation recorded a loss of \$8,000 within earnings as the fair value adjustment of the warrants. The Corporation holds no other derivative instruments.

The carrying amounts of the Corporation's trade and other accounts receivable and accounts payable and accrued liabilities are estimated to reasonably approximate their fair values. The fair values of all of the Corporation's financial instruments measured at December 31, 2012, other than the common shares of Americas Bullion Royalty included in long-term investments, constitute Level 2 measurements within the fair value hierarchy defined under IFRS, including the embedded derivative in accounts receivable related to sales of concentrate for which final settlement has not yet occurred. The fair value of the common shares of Americas Bullion Royalty constitutes a Level 1 measurement.

Substantially all of the Corporation'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.

The Corporation's accounts and other receivables at December 31, 2012 total \$9,797,000, of which \$ 4,263,000 relates to sales of concentrates, including the embedded derivative, with the balance comprised primarily of AEG trade receivables and goods and services tax refunds receivable from government. The Corporation's maximum credit risk exposure in respect of its receivables is represented by their carrying amount. All of the Corporation's concentrate is sold to one customer, Glencore Ltd., Stamford ("Glencore"), a branch of a wholly owned subsidiary of the Swiss-based international natural resources group Glencore International AG. All receivables relating to sales of concentrate are due from Glencore, and are accordingly exposed to credit risk that is highly concentrated. Management closely monitors the financial status of Glencore as publicly reported, and as at the date of this MD&A considers the credit risk under these concentrate receivables to be insignificant. Management actively monitors exposure to credit risk under the Corporation's remaining receivables as well, 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, 2012, AEG trade receivables are recorded net of a recoverability provision of \$950,000 (December 2011 – \$200,000; June 2011 – \$200,000).

The embedded derivative within accounts receivable relating to sales of concentrate is exposed to market risk from prices for payable metals, primarily silver, lead and zinc. As at December 31, 2012, if prices for all of these payable metals had been 10% higher or lower, recorded revenues would have correspondingly increased or decreased by \$1,111,000 due to the increase in the value of the embedded derivative at that date. If only the price of silver had been 10% higher or lower, recorded revenues would have increased or decreased \$942,000. The prices of silver, lead and zinc are affected by numerous macroeconomic factors such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand and general worldwide political and economic conditions, as well as fluctuations of the value of the US dollar given the price of each of these metals on the world market is widely quoted in that currency. Management monitors these various factors as part of its overall capital management activities, including tracking published analyst commodity price forecasts. In situations of significant anticipated volatility in metal prices or where warranted by unique project-specific circumstances, management may consider hedging the metal prices to which it is exposed. However, it is the Corporation's primary policy that it will not hedge the metal prices to which it is exposed, particularly that for silver.

Substantially all of the Corporation's property, plant and equipment and mineral properties are located in Canada; all of its mining operations occur in Canada; and a significant majority of AEG's revenues are earned in Canada. However, the Corporation's sales of concentrate are effected in US dollars, as are a portion of AEG's revenues, 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

The Corporation has no off-balance sheet arrangements.

Related Party Transactions

During the year ended December 31, 2012, the Corporation rented certain office space under an agreement with Access Field Services, a company owned by certain individuals who were at certain times executive officers of the Corporation and its subsidiary Access. On May 31, 2012, the Corporation purchased the rental office space from Access Field Services for its appraised fair market value of \$1,205,000. During period from January 1, 2012 to May 31, 2012, the Corporation incurred rent expenses of \$57,127 (2011 – \$null) respectively with Access Field Services.

These transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties. The resulting accounts payable and accrued liabilities were payable currently under normal third-party trade payable terms and conditions.

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 during the year ended December 31, 2012, management has determined its best estimates of pricing for silver ranging from near-term US\$33.00 to long-term US\$24.00 per ounce; for gold ranging from near-term US\$1,700 to long-term US\$1,400 per ounce; for lead ranging from near-term US\$1.00 to long-term US\$0.90 per pound; for zinc ranging from near-term US\$0.90 to long-term US\$1.00 per pound; and for the Canadian dollar ranging from near-term US\$0.90 to long-term US\$0.96.

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 the Corporation 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

The Corporation 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 costs to sell" 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, 2012, management concluded that there have been no events or changes in circumstances since the last impairment review which indicated that any of the carrying amounts of Alexco's non-current non-financial assets may not be recoverable.

Management's estimates of many of the factors relevant to completing this assessment, including commodity prices, foreign currency exchange rates, mineral resources, and operating, capital and reclamation costs, are subject to 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

The Corporation'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. The Corporation 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, 2012, the Corporation's decommissioning and rehabilitation provision totaled \$4,087,000, 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 Bellekeno 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 by the Yukon Government for the Bellekeno mine.

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.

Non-IFRS Measure – Cash Costs of Production Per Ounce of Payable Silver

Cash costs of production per ounce of payable silver is a key financial measure that management uses to assess performance, and is a metric commonly used in the mining industry to compare costs on a per unit basis. However, this measure does not have any standardized meaning prescribed by IFRS, nor is there a standardized method of calculating it within the industry. This measure therefore may not be comparable to similar measures presented by other companies, nor should it be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Alexco determines cash costs of production per ounce of payable silver for a period based on all costs absorbed into the cost of concentrate inventory produced during that period, plus estimated charges for transportation and smelter treatment and refining, less the estimated value of contained by-product metals, but excluding charges for depreciation, depletion and share-based compensation. Cash costs of production per ounce of payable silver are reconciled to financial statement cost of sales as follows (dollar amounts in thousands, except cost per ounce amounts, and denominated in Canadian dollars):

	Three Months Ended		Year Ended	
	2012	2011	2012	2011
Cost of sales	\$15,855	\$14,639	\$61,691	\$52,121
Add:				
Change in concentrate inventory	835	2,368	(221)	3,051
Attributed transportation, treatment and refining charges	2,390	2,066	7,841	6,390
Subtract:				
By-product credits	(6,091)	(6,017)	(20,743)	(22,450)
Depreciation, depletion, share-based compensation and net silver streaming interest costs	(6,784)	(5,541)	(24,665)	(20,159)
Cash costs of production	\$6,205	\$7,515	\$23,903	\$18,953
Payable silver ounces produced	557,461	550,041	2,009,703	1,862,399
Cash costs of production per ounce of payable silver	\$11.13	\$13.66	\$11.89	\$10.17

Controls and Procedures

Disclosure Controls and Procedures

The Corporation'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 Corporation's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the Corporation's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Corporation 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 the Corporation in reports it files under applicable securities legislation is accumulated and communicated to the Corporation'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 Corporation'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, 2012, based on the criteria set forth in Internal Control – Integrated Framework 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, 2012.

The effectiveness of Alexco's internal control over financial reporting as at December 31, 2012 has been audited by PricewaterhouseCoopers LLP, Alexco's independent auditors.

There has been no change in the Corporation's internal control over financial reporting during the Corporation's fiscal year ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Risk Factors

The following are major risk factors management has identified which relate to the Corporation's business activities. Such risk factors could materially affect the Corporation's future financial results, and could cause events to differ materially from those described in forward-looking statements relating to the Corporation. Though the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Corporation'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 the Corporation'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 the Corporation to sell, and profit from the sale of any eventual production from any of the Corporation'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 the Corporation and therefore represent a market risk which could impact the long term viability of the Corporation and its operations.

Figures for the Corporation'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, the Corporation 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. The Corporation'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 the Corporation's mineralization uneconomic and result in reduced reported mineral resources.

Keno Hill District

While the Corporation has conducted exploration activities in the Keno Hill District, other than with respect to the Bellekeno property, 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.

Under the terms of the Subsidiary Agreement, ERDC is responsible for carrying out environmental care and maintenance activities at various sites in the Keno Hill District during the period required to develop and obtain acceptance and regulatory approval for the Keno Hill District closure reclamation plan, for annual fees based on an annually-determined fixed fee benchmark adjusted each year for certain operating and inflationary factors and determined on a site-by-site basis. The portion of the annually-determined fee benchmark which is billable each year by ERDC in respect of each site will reduce by 15% each year until all site-specific care and maintenance activities have been replaced by closure reclamation activities. The Corporation could incur significant costs over the period it undertakes such care and maintenance activities, particularly if acceptance and approval of the closure reclamation plan and commencement of reclamation activities should be significantly delayed.

Mining Operations

Decisions by the Corporation 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. The Corporation'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.

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.

Permitting and Environmental Risks and Other Regulatory Requirements

The current or future operations of the Corporation, including development activities, commencement of production on its properties and activities associated with the Corporation'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 the Corporation 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 the Corporation 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 the Corporation could change the implementation and interpretation of such laws, regulations and permits, also having a material adverse impact on the Corporation. 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 22% and 20%, respectively, of environmental services revenues in the 2012 fiscal year. The loss of, or a significant reduction in the volume of business conducted with, this customer could have a significant detrimental effect on the Corporation's environmental services business.

The patents which the Corporation 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.

The Corporation may not be able to keep pace with continual and rapid technological developments that characterize the market for AEG's environmental services, and the Corporation'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 the Corporation to change the way it conducts its business.

Potential Profitability Of Mineral Properties Depends Upon Factors Beyond the Control of the Corporation

The potential profitability of mineral properties is dependent upon many factors beyond the Corporation'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 the Corporation cannot predict and are beyond the Corporation'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 the Corporation.

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 the Corporation'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. The Corporation has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Corporation has made efforts to ensure that legal title to its properties is properly recorded in the name of the Corporation, there can be no assurance that such title will ultimately be secured.

Capitalization and Commercial Viability

The Corporation will require additional funds to further explore, develop and mine its properties. The Corporation has limited financial resources, and there is no assurance that additional funding will be available to the Corporation 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 the Corporation has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Corporation 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 the Corporation'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 the Corporation's growth and profitability. Specifically:

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

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

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 be materially consistent with or more favourable than those anticipated in the Bellekeno Development Plan, (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. Unless otherwise indicated, all resource and reserve estimates included in this MD&A have been prepared in accordance with NI 43-101 and the Canadian Institute of

Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. NI 43-101 permits the disclosure of an historical estimate made prior to the adoption of NI 43-101 that does not otherwise comply with NI 43-101, using the historical terminology, if the disclosure: (a) identifies the source and date of the historical estimate; (b) comments on the relevance and reliability of the historical estimate; (c) to the extent known, provides the key assumptions, parameters and methods used to prepare the historical estimate; (d) states whether the historical estimate uses categories other than those prescribed by NI 43-101 and if so includes an explanation of the differences; (e) includes any more recent estimates or data available to the issuer; (f) comments on what work needs to be done to upgrade or verify the historical estimate as current mineral resources or mineral reserves; and (g) states with equal prominence that a qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves and that the issuer is not treating the historical estimate as current mineral resources or mineral reserves.

Canadian standards, including NI 43-101, differ significantly from the requirements of Industry Guide 7 promulgated by the United States Securities and Exchange Commission ("SEC") under the United States Securities Act of 1933, as amended, and resource and reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards under Industry Guide 7 do not define the terms and normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. U.S. Investors should also understand that "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, estimated "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 standards as in place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC's Industry Guide 7, and reserves reported by the Corporation in compliance with NI 43-101 may not qualify as "reserves" under Industry Guide 7 standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U. S. standards.