



**ALEXCO**

**ALEXCO RESOURCE CORP.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED  
JUNE 30, 2019 AND 2018  
(unaudited)**

**ALEXCO RESOURCE CORP.**  
**INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS AT JUNE 30, 2019**

<i>(unaudited - expressed in thousands of Canadian dollars)</i>	<b>Note</b>	<b>June 30 2019</b>	<b>December 31 2018</b>
<b>Current Assets</b>			
Cash and cash equivalents	4	\$ 11,803	\$ 8,576
Accounts and other receivables		7,257	6,811
Investments	6	372	351
Inventories		1,189	818
Prepaid expenses and other		926	878
		21,547	17,434
<b>Non-Current Assets</b>			
Restricted cash and deposits	5	2,753	2,725
Investments	6	351	409
Inventories		4,282	4,699
Property, plant and equipment	7,11	16,002	15,233
Mineral properties	8	85,182	82,226
Embedded derivative asset	9	16,158	9,671
Intangible assets and other		595	621
<b>Total Assets</b>		<b>\$ 146,870</b>	<b>\$ 133,018</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 5,474	\$ 7,210
Lease liabilities	11	\$ 467	\$ -
Environmental services contract loss provision		72	36
Deferred revenue		82	109
Flow-through share premium pending renunciation		712	649
		6,807	8,004
<b>Non-Current Liabilities</b>			
Lease liabilities	11	1,201	-
Equity investment advance on joint venture	12	507	-
Decommissioning and rehabilitation provision	14	5,550	5,286
Deferred income tax liabilities		4,012	3,098
<b>Total Liabilities</b>		<b>18,077</b>	<b>16,388</b>
<b>Shareholders' Equity</b>		<b>128,793</b>	<b>116,630</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 146,870</b>	<b>\$ 133,018</b>

**COMMITMENTS**

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

**"Terry Krepiakovich"**

**"Elaine Sanders"**

*(signed)*

*(signed)*

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

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

**ALEXCO RESOURCE CORP.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30**

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

	Note	Three months ended		Six months ended	
		2019	2018	2019	2018
<b>Revenues</b>					
Environmental services revenue	16	\$ 8,694	\$ 3,545	\$ 15,927	\$ 6,309
<b>Cost of Sales</b>					
Environmental services costs		6,660	2,177	12,421	4,111
<b>Total Gross Profit</b>		2,034	1,368	3,506	2,198
<b>Operating Expenses</b>					
General and administrative expenses	17	3,416	2,575	7,728	5,884
Mine site care and maintenance	18	455	952	1,079	1,633
		3,871	3,527	8,807	7,517
<b>Operating Loss</b>		(1,837)	(2,159)	(5,301)	(5,319)
<b>Other Income (Expenses)</b>					
Other income and expenses	19	(180)	(257)	(415)	(286)
Loss from equity investment	12	(398)	-	(398)	-
Loss on investments	6	(5)	(43)	(19)	(417)
Gain on embedded derivative	9	1,005	689	6,487	663
<b>Income (Loss) Before Taxes</b>		(1,415)	(1,770)	354	(5,359)
<b>Income Tax Provision (Recovery)</b>					
Current		9	-	9	-
Deferred		47	126	609	(202)
<b>Net Loss</b>		(1,471)	(1,896)	(264)	(5,157)
<b>Other Comprehensive Income (Loss)</b>					
Gain (loss) on FVTOCI investments, net of tax		66	(135)	(17)	(455)
Items that may be reclassified subsequently to net loss					
Cumulative translation adjustments, net of tax		(52)	50	(111)	104
<b>Other Comprehensive Income (Loss)</b>		14	(85)	(128)	(351)
<b>Total Comprehensive Loss</b>		\$ (1,457)	\$ (1,981)	\$ (392)	\$ (5,508)
<b>Loss per Share</b>					
Basic and diluted loss per common share		\$ (0.01)	\$ (0.02)	\$ -	\$ (0.05)
Weighted average number of common shares outstanding		111,669,003	102,482,598	110,043,247	101,989,187

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

**ALEXCO RESOURCE CORP.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30,**

*(unaudited - expressed in thousands of Canadian dollars)*

	Three months ended		Six months ended	
	2019	2018	2019	2018
<b>Cash Flows used in Operating Activities</b>				
Net loss	\$ (1,471)	\$ (1,896)	\$ (264)	\$ (5,157)
Items not affecting cash from operations:				
Environmental services contract loss provision	25	(11)	36	(83)
Loss from equity investment	398	-	398	-
Depreciation of fixed assets and ROU assets	548	412	1,075	785
Amortization of intangible assets	12	12	24	26
Share-based compensation expense	530	632	1,649	1,769
Finance costs, foreign exchange and other	(20)	96	(30)	133
Derivative asset gain	(1,005)	(689)	(6,487)	(663)
Unrealized loss on investments	5	73	20	448
Deferred income tax provision (recovery)	47	127	609	(201)
Changes in non-cash working capital balances related to operations				
Increase in accounts and other receivables	(2,316)	(1,510)	(237)	(1,773)
Decrease in inventories	1	95	46	190
Increase in prepaid expenses and other current assets	97	175	164	265
Decrease in deferred revenue	(14)	(22)	(28)	(44)
Increase (decrease) in accounts payable and accrued liabilities	(882)	597	(1,664)	581
	(4,045)	(1,909)	(4,689)	(3,724)
<b>Cash Flows (used in) from Investing Activities</b>				
Expenditures on mineral properties	(1,128)	(3,148)	(2,555)	(5,741)
Purchase or disposal of property, plant and equipment	(8)	(107)	(27)	(310)
Decrease in restricted cash	-	4,463	-	4,463
Acquisition of subsidiary	-	(536)	-	(536)
Investment in joint venture	(100)	-	(100)	-
Exercise of investment warrants	-	(52)	-	(184)
Proceeds from disposal of investments	-	52	-	52
	(1,236)	672	(2,682)	(2,256)
<b>Cash Flows from (used in) Financing Activities</b>				
Repayment of lease liabilities	(144)	-	(297)	-
Proceeds from issuance of shares	12,135	9,042	12,135	9,042
Issuance costs	(1,299)	(863)	(1,299)	(863)
Proceeds from exercise of warrants	-	2,002	-	2,027
Proceeds from exercise of stock options	-	188	59	218
	10,692	10,369	10,598	10,424
Increase in Cash and Cash Equivalents	5,411	9,132	3,227	4,444
Cash and Cash Equivalents - Beginning of Period	6,392	13,218	8,576	17,906
Cash and Cash Equivalents - End of Period	\$ 11,803	\$ 22,350	\$ 11,803	\$ 22,350

**SUPPLEMENTAL CASH FLOW INFORMATION (see note 21)**

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

**ALEXCO RESOURCE CORP.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2019 AND 2018**

*(unaudited - expressed in thousands of Canadian dollars)*

<b>Common Shares</b>									
	<b>Number of Shares</b>	<b>Amount</b>	<b>Warrants</b>	<b>Share Options and RSU's</b>	<b>Contributed Surplus</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total</b>	
<b>Balance - December 31, 2018</b>	<b>107,998,902</b>	<b>\$ 212,903</b>	<b>\$ 2,494</b>	<b>\$ 5,841</b>	<b>\$ 18,906</b>	<b>\$ (121,798)</b>	<b>\$ (1,716)</b>	<b>\$ 116,630</b>	
Net loss	-	-	-	-	-	(264)	-	(264)	
Other comprehensive loss	-	-	-	-	-	-	(128)	(128)	
Share-based compensation expense recognized	-	-	-	1,817	-	-	-	1,817	
Credit Facility fee - shares	171,480	211	-	-	-	-	-	211	
Equity offering, net of issuance costs	8,342,200	10,363	104	-	-	-	-	10,467	
Exercise of share options	90,000	89	-	(29)	-	-	-	60	
Share options forfeited or expired	-	-	-	(442)	442	-	-	-	
Release of RSU settlement shares	391,988	636	-	(636)	-	-	-	-	
<b>Balance - June 30, 2019</b>	<b>116,994,570</b>	<b>\$ 224,202</b>	<b>\$ 2,598</b>	<b>\$ 6,551</b>	<b>\$ 19,348</b>	<b>\$ (122,062)</b>	<b>\$ (1,844)</b>	<b>\$ 128,793</b>	
<b>Balance - December 31, 2017</b>	<b>101,280,850</b>	<b>\$ 202,389</b>	<b>\$ 2,092</b>	<b>\$ 6,660</b>	<b>\$ 15,743</b>	<b>\$ (113,297)</b>	<b>\$ (1,131)</b>	<b>\$ 112,456</b>	
Net loss	-	-	-	-	-	(5,157)	-	(5,157)	
Other comprehensive loss	-	-	-	-	-	-	(351)	(351)	
Share-based compensation expense recognized	-	-	-	2,045	-	-	-	2,045	
Equity offering, net of issuance costs	4,703,000	6,806	-	-	-	-	-	6,806	
Credit facility fee - warrants	-	-	938	-	-	-	-	938	
Acquisition of Contango Strategies	237,999	416	-	-	-	-	-	416	
Exercise of share options	281,666	323	-	(106)	-	-	-	217	
Exercise of warrants	1,167,351	2,697	(670)	-	-	-	-	2,027	
Share options forfeited or expired	-	-	-	(3,064)	3,064	-	-	-	
Release of RSU settlement shares	318,036	497	-	(497)	-	-	-	-	
<b>Balance - June 30, 2018</b>	<b>107,988,902</b>	<b>213,128</b>	<b>2,360</b>	<b>5,038</b>	<b>18,807</b>	<b>(118,454)</b>	<b>(1,482)</b>	<b>119,397</b>	

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

**ALEXCO RESOURCE CORP.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 AND 2018**

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

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

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

The Corporation is in the process of exploring and developing its mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable mineral resources or reserves, successful permitting, the ability of the Corporation to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each mineral property. The carrying amounts of mineral properties are based on a disposal of part of a mineral property interest, costs incurred to date, adjusted for depletion and impairments and do not necessarily represent present or future values.

Alexco is a public company which is listed on the Toronto Stock Exchange and the NYSE American Stock Exchange (under the symbol AXU). The Corporation’s corporate head office is located at Suite 1225, Two Bentall Centre, 555 Burrard Street, Box 216, Vancouver, BC, Canada, V7X 1M9.

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

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These interim financial statements follow the same accounting policies and methods of computation as compared with the most recent annual financial statements (except for those policies disclosed in Note 3), being for the year ended December 31, 2018, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Accordingly, these interim financial statements should be read in conjunction with the Corporation’s most recent annual financial statements. Notes 3 and 11 discloses the effects of the adoption of new IFRS pronouncements and changes in existing accounting policies for all periods presented. These interim condensed consolidated financial statements were approved for issuance by the Board of Directors on August 13, 2019.

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

**3. Summary of New and Amended Accounting Policies***Investments in Joint Ventures*

The Corporation has entered into a joint arrangement. A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which the Corporation has rights to the assets and liabilities relating to the arrangement. A joint venture is a joint arrangement in which the Corporation has rights to only the net assets of the arrangement.

Investments in joint ventures are accounted for using the equity method. The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the Corporation’s proportionate share of the profit and loss, other comprehensive income or loss and any other changes in the joint venture’s net assets such as dividends. The proportionate share of the joint venture’s profit or loss and other comprehensive income or loss is based on its most recent financial statements. Adjustments are made to align any inconsistencies between our accounting policies and the joint venture’s policies before applying the equity method.

**ALEXCO RESOURCE CORP.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 AND 2018**

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

If the Corporation's share of the joint venture's losses equal or exceeds the investment in the joint venture, recognition of further losses is discontinued. After the interest is reduced to zero, additional losses will be provided for and a liability recognized only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, then the Corporation resumes recognizing its proportionate share of profits only after its share of the profits equals the share of losses not recognized. At balance sheet date, the Corporation considers whether there are any indicators of impairment in the joint venture. If indicators exist, the Corporation will determine if impairment to the joint venture will be recorded.

*Adoption of IFRS 16: Leases*

The Corporation adopted IFRS 16 *Leases* ("IFRS 16") effective January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information and continues to be reported under IAS 17, *Leases* ("IAS 17") and IFRIC 4, *Determining Whether an Arrangement Contains a Lease* ("IFRIC 4"). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize a right-of-use ("ROU") asset and a lease obligation at the lease commencement date.

The Corporation completed its review of all existing operating leases and service contracts to identify contracts in scope for IFRS 16 and assessed contracts for embedded leases. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset, and the Corporation has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the arrangement. The Corporation incorporates both the lease and non-lease components as part of the total lease payment, as the Corporation elected not to separate non-lease components.

The Corporation, on adoption of IFRS 16, recognized lease liabilities in relation to office leases which had previously been classified as operating leases under the principles of IAS 17. In relation, under the principles of the new standard these leases are measured as lease liabilities at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as at January 1, 2019. The associated ROU assets have been measured at an amount equal to the lease liability on January 1, 2019. The ROU asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. Furthermore, the ROU asset may be reduced due to impairment losses.

On initial adoption, the Corporation recorded right-of-use assets of \$1,883,000 within property, plant and equipment, measured at an amount equal to the lease liability. The Corporation has elected to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than twelve (12) months as at January 1, 2019 as short-term leases, recognized as an expense over the lease term; and
- Account for lease payments as an expense and not recognize a ROU asset if the underlying asset is of low dollar value (less than \$5,000 CAD).

The following table reconciles the Corporation's operating lease commitments at December 31, 2018, as previously disclosed in the Corporation's annual consolidated financial statements, to the lease liability recognized on adoption of IFRS 16 at January 1, 2019.

**ALEXCO RESOURCE CORP.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 AND 2018***(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)*

	<b>Adoption of IFRS 16</b>
Lease commitments as at December 31, 2018	\$ 1,440
Less:	
Short-term commitments	(50)
Add:	
Operating lease obligations on adoption of IFRS 16	1,048
	2,438
Impact of discounting	(555)
Lease liability as of January 1, 2019	\$ 1,883

The following is the amended accounting policy as a result of the adoption of IFRS 16.

**Leases**

The ROU asset is initially recorded at cost, which comprises the initial amount of the lease liability and any initial direct costs incurred less any lease payments made at or before the initial adoption date. The ROU is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. The lease term includes periods covered by an option to extend if the Corporation's intention is to exercise that option. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for re-measurements of the lease obligation.

The Corporation elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low value assets. These lease payments associated with these leases are recognized as an expense over the lease term.

The lease liability is measured at the present value of the expected lease payments over the lease term, discounted at the implicit rate in the lease; if the rate cannot be determined, the incremental borrowing rate is used. The liability is increased for the passage of time and payments on the lease are offset against the lease liability. The liability is subsequently re-measured when there is a change in the lease agreement, such as a change in future lease payments or if the Corporation decides to purchase, extend or terminate the lease option. When the lease liability is re-measured, an adjustment is applied to the carrying value of the ROU asset.

**4. Cash and Cash Equivalents**

	<b>June 30 2019</b>	<b>December 31 2018</b>
Cash at bank	\$ 11,280	\$ 3,629
Short-term bank deposits	523	4,947
	\$ 11,803	\$ 8,576



**ALEXCO RESOURCE CORP.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 AND 2018***(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)***5. Restricted Cash and Deposits**

	<b>June 30 2019</b>	<b>December 31 2018</b>
Security for decommissioning obligations	\$ 2,599	\$ 2,569
Other	154	156
	<b>\$ 2,753</b>	<b>\$ 2,725</b>

Security for decommissioning obligations includes cash collateral and a surety bond representing security for future reclamation and closure activities for the Bellekeno, Bermingham, Flame & Moth, Lucky Queen and Onek deposits.

**6. Investments**

	<b>June 30 2019</b>	<b>December 31 2018</b>
Common shares held in public companies	\$ 719	\$ 736
Warrants held	4	24
Investments	723	760
Less: current portion	372	351
	<b>\$ 351</b>	<b>\$ 409</b>

As of June 30, 2019, the Corporation held 8,736,644 common shares of Banyan Gold Corp. ("Banyan") (December 31, 2018 – 8,736,644) and 1,320,500 common shares of Golden Predator Mining Corp. ("Golden Predator") (December 31, 2018 – 1,320,500). As of June 30, 2019, the Corporation also held 6,155,822 warrants of Banyan (December 31, 2018 – 6,155,822) with an exercise price ranging from \$0.115 to \$0.15 and expiry dates of August 14, 2019 and July 19, 2020. The Corporation also held 300,000 warrants of Golden Predator (December 31, 2018 – 300,000) with an exercise price of \$1.00 per share and an expiry date of December 21, 2020.

During the three and six month periods ended June 30, 2019, the Corporation recorded a pre-tax gain (loss) on investments through the statement of loss of \$(5,000) and \$(19,000) (2018 – \$(43,000) and \$(417,000)), respectively on warrants held in Banyan and Golden Predator. During the same periods, the Corporation also recorded in other comprehensive income a fair value adjustment gain (loss) adjustment, net of tax of \$66,000 and \$(17,000) (2018 – \$(135,000) and \$(455,000)) on common shares held in Banyan and Golden Predator.

**ALEXCO RESOURCE CORP.****NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 AND 2018***(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)***7. Property, Plant and Equipment**

<b>Cost</b>	<b>Land and Buildings</b>	<b>Camp, Roads, and Other Site</b>	<b>Ore Processing Mill</b>	<b>Heavy Machinery and Equipment</b>	<b>Leasehold Improvements &amp; Other</b>	<b>Total</b>
<b>December 31, 2018</b>	\$ 1,709	\$ 5,569	\$ 22,834	\$ 9,312	\$ 1,503	\$ 40,927
Change of estimate in decommission provision	-	-	123	-	-	123
<b>June 30, 2019</b>	\$ 1,709	\$ 5,569	\$ 22,957	\$ 9,312	\$ 1,503	\$ 41,050

<b>Accumulated Depreciation</b>	<b>Land and Buildings</b>	<b>Camp, Roads, and Other Site</b>	<b>Ore Processing Mill</b>	<b>Heavy Machinery and Equipment</b>	<b>Leasehold Improvements &amp; Other</b>	<b>Total</b>
<b>December 31, 2018</b>	\$ 429	\$ 4,869	\$ 11,448	\$ 7,533	\$ 1,415	\$ 25,694
Depreciation	39	77	579	245	28	968
<b>June 30, 2019</b>	\$ 468	\$ 4,946	\$ 12,027	\$ 7,778	\$ 1,443	\$ 26,662

<b>Net book Value</b>	<b>Land and Buildings</b>	<b>Camp, Roads, and Other Site</b>	<b>Ore Processing Mill</b>	<b>Heavy Machinery and Equipment</b>	<b>Leasehold Improvements &amp; Other</b>	<b>Total</b>
<b>December 31, 2018</b>	\$ 1,280	\$ 700	\$ 11,386	\$ 1,779	\$ 88	\$ 15,233
<b>June 30, 2019</b>	\$ 1,241	\$ 623	\$ 10,930	\$ 1,534	\$ 60	\$ 14,388 <sup>(i)</sup>

(i) Refer to Note 11, as amount excludes ROU assets net book value of \$1,614,000 as of June 30, 2019.

During the three and six month periods ended June 30, 2019, the Corporation recorded total depreciation of property, plant and equipment of \$526,000 and \$968,000 (2018 – \$482,000 and \$964,000), respectively, of which \$436,000 and \$812,000 (2018 – \$412,000 and \$785,000) has been charged to income with \$23,000 and \$56,000 (2018 – \$18,000 and \$49,000) recorded in environmental services cost of sales and \$413,000 and \$756,000 (2018 – \$394,000 and \$736,000) reflected under general expenses and mine site care and maintenance.

Of the depreciation recorded for the three and six month periods ended June 30, 2019, \$90,000 and \$156,000 (2018 – \$70,000 and \$179,000), respectively, were related to property, plant and equipment used in exploration activities and has been capitalized to mineral properties.

**ALEXCO RESOURCE CORP.**
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 AND 2018**
*(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)*
**8. Mineral Properties**

	December 31 2018	Expenditures Incurred	June 30 2019
<b>Mineral Properties</b>			
Keno Hill District Properties			
Bellekeno	\$ 7,123	\$ 219	\$ 7,342
Lucky Queen	824	72	896
Onek	1,065	16	1,081
McQuesten <sup>1</sup>	1,997	-	1,997
Silver King	4,464	-	4,464
Flame & Moth	28,311	386	28,697
Birmingham	32,084	2,263	34,347
Elsa Tailings	884	-	884
Other Keno Hill Properties	5,474	-	5,474
<b>Total</b>	<b>\$ 82,226</b>	<b>\$ 2,956</b>	<b>\$ 85,182</b>

	December 31 2017	Expenditures Incurred	December 31 2018
<b>Mineral Properties</b>			
Keno Hill District Properties			
Bellekeno	\$ 6,885	\$ 238	\$ 7,123
Lucky Queen	693	131	824
Onek	1,034	31	1,065
McQuesten <sup>1</sup>	1,997	-	1,997
Silver King	4,464	-	4,464
Flame & Moth	22,455	5,856	28,311
Birmingham	23,376	8,708	32,084
Elsa Tailings	884	-	884
Other Keno Hill Properties	2,799	2,675	5,474
<b>Total</b>	<b>\$ 64,587</b>	<b>\$ 17,639</b>	<b>\$ 82,226</b>

- (i) Effective May 24, 2017, and as amended on July 8, 2019, the Corporation entered into an Option Agreement with Banyan Gold Corp. ("Banyan") to option up to 100% of Alexco's McQuesten property. In three stages, Banyan may earn up to 100% of the McQuesten property, by incurring a minimum \$2,600,000 in exploration expenditures (\$844,000 incurred to June 30, 2019), issue 1,600,000 shares (800,000 shares issued), pay in staged payments a total of \$2,600,000 in cash or shares and grant Alexco a 6% net smelter return ("NSR") royalty with buybacks totalling \$7,000,000 to reduce to a 1% NSR royalty on gold and 3% NSR royalty on silver.

	Mining Operations Properties	Exploration and Evaluation Properties	Total
<b>June 30, 2019</b>			
Cost	\$ 99,779	\$ 75,862	\$ 175,641
Accumulated depletion and write-downs	(90,459)	-	(90,459)
Net book value	\$ 9,320	\$ 75,862	\$ 85,182
<b>December 31, 2018</b>			
Cost	\$ 99,472	\$ 73,213	\$ 172,685
Accumulated depletion and write-downs	(90,459)	-	(90,459)
Net book value	\$ 9,013	\$ 73,213	\$ 82,226

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	June 30 2019	December 31 2018
Embedded derivative asset – beginning of period	\$ 9,671	\$ 6,600
Fair value adjustment	6,487	3,071
Embedded derivative asset – end of period	\$ 16,158	\$ 9,671

On October 2, 2008 (with subsequent amendments on October 20, 2008, December 10, 2008, December 22, 2009, March 31, 2010, January 15, 2013, March 11, 2014 and June 16, 2014), the Corporation entered into a silver purchase agreement (the "SPA") with Wheaton under which Wheaton will receive 25% of the life of mine payable silver produced by the Corporation from its Keno Hill Silver District properties. The SPA anticipated that the initial silver deliveries would come from the Bellekeno property. Under the SPA, the Corporation received up-front deposit payments from Wheaton totaling US\$50,000,000, and received further payments of the lesser of US\$3.90 (increasing by 1% per annum after the third year of full production) and the prevailing market price for each ounce of payable silver delivered, if as and when delivered. After the initial 40 year term of the SPA, the Corporation is required to refund the balance of any advance payments received and not yet notionally reduced through silver deliveries. The Corporation would also be required to refund the balance of advance payments received and not yet reduced if Wheaton exercised its right to terminate the SPA in an event of default by the Corporation. As of September 2013, Bellekeno mining operations were suspended in light of a low silver price environment.

On March 29, 2017 the Corporation and Wheaton amended the SPA (the "Amended SPA, such that Wheaton will continue to receive 25% of the life of mine payable silver from the Keno Hill Silver District with a variable production payment based on monthly silver head grade and monthly silver spot price. The actual monthly production payment from Wheaton will be determined based on the monthly average silver head grade at the mill and the monthly average silver spot price, as determined by a grade and pricing curve with an upper ceiling grade of 1,400 grams per tonne ("g/t") silver and price of US\$25 per ounce of silver and a floor grade of 600 g/t silver and price of US\$13 per ounce of silver. Additional terms of the amendment include a date for completion of the 400 tonne per day mine and mill completion test, which is reset to December 31, 2020. If the completion test is not satisfied by December 31, 2020, the Corporation will be required to pay a capacity related refund to Wheaton in the maximum amount of US\$8,788,000, which can be further proportionately reduced by mine production and mill throughput exceeding 322 tonnes per day for a 30 day period prior to December 31, 2020. The Amended SPA is secured against the Corporation's mineral properties until repayment of the original deposit of US\$50,000,000.

In consideration of the foregoing amendments, the Corporation issued 3,000,000 shares to Wheaton with a fair value of \$6,600,000 (US\$4,934,948). Under the terms of the Amended SPA, the original US\$50,000,000 deposit was notionally reduced by this amount. The variability in the future cash flows to be received from Wheaton upon extraction and delivery of their 25% interest of future production is considered an embedded derivative within this host contract under IFRS 9, *Financial Instruments*. The embedded derivative asset was initially recorded at fair value based on the value of the consideration paid to Wheaton and is to be re-measured at fair value on a recurring basis at each period end with changes in value being recorded within the Statement of Loss.

As at June 30, 2019, the fair value of the embedded derivative was calculated based on the discounted future cash flows associated with the difference between the original US\$3.90 per ounce production payment Wheaton would pay for each payable ounce delivered under the SPA and the new production payment under the Amended SPA which varies depending on the monthly silver head grade and monthly silver price. The model currently relies upon inputs from the pre-feasibility study (the "PFS"), including payable ounces delivered and calculated future silver head grade. This calculation will be further modified upon completion of further studies, mine plans and/or actual production. The valuation model for the embedded derivative has been updated to utilize a probability-based dynamic pricing structure as opposed to a static pricing structure. As such, the discount rate used and silver price assumptions are updated quarterly based on the risk-free yield curve and silver price forward curve at quarter end.

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	<b>June 30 2019</b>	<b>December 31 2018</b>
Trade payables	\$ 3,078	\$ 3,567
Accrued liabilities and other	2,396	3,643
	<b>\$ 5,474</b>	<b>\$ 7,210</b>

**11. Leases**

## a) Right-of-use assets

The Corporation's significant lease arrangements primarily include contracts for leasing office facilities. As at June 30, 2019, \$1,614,000 of right-of-use assets were recorded as part of property, plant and equipment.

	<b>June 30 2019</b>
IFRS 16 adoption as at January 1, 2019	\$ 1,883
Additions	-
Depreciation	(269)
	<b>\$ 1,614</b>

## b) Lease liabilities

As at June 30, 2019, the Corporation recorded, \$1,668,000 of lease liabilities. The incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 10.83%.

	<b>June 30 2019</b>
IFRS 16 adoption as at January 1, 2019	\$ 1,883
Cash flows:	
Principal payments	(297)
Non-cash changes:	
Accretion	82
	<b>\$ 1,668</b>

## c) Undiscounted lease payments

As at June 30, 2019, the Corporation's undiscounted lease payments consisted of the following:

	<b>June 30 2019</b>
2019	\$ 323
2020	541
2021	334
2022	337
2023	322
Thereafter	289
	<b>\$ 2,146</b>

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AEG and a joint venture partner, JDS Energy and Mining Inc. ("JDS"), entered into agreement to acquire the abandoned Mount Nansen Mine site ("Mount Nansen") from the Federal Government of Canada ("Canada"). AEG and JDS formed a limited partnership called Mount Nansen Remediation Limited Partnership ("MNR"), whereby Canada will pay MNR to remediate environmental contamination from previous mining activities at Mount Nansen. The contractual arrangement provides AEG and JDS with the benefit of the net assets of the joint arrangement, while the rights to the assets and liabilities rest primarily with MNR. AEG and JDS each owns a 50% interest with equal voting rights in MNR and will be jointly responsible for Mount Nansen project remediation work and will share equally in the project's profitability. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

The interest in the joint venture is the carrying amount of the investment in the joint venture under the equity method together with any long-term interests that, in substance, form part of AEG's net investment in the joint venture. After the joint venturer's interest is reduced to zero, a liability is recognized only to the extent that AEG has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, then AEG resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

	<b>June 30, 2019</b>
Initial capital on equity investment	\$ 100
Net contributions to equity investment	(112)
Equalization contribution by joint venture partner	(97)
Share of loss on equity investment	(398)
	<b>\$ (507)</b>

The following tables represent the unaudited interim financial statements of MNR as of June 30, 2019:

## a) Balance Sheet

<i>(unaudited – expressed in thousands of Canadian dollars)</i>		<b>June 30, 2019</b>
Current assets:		
Cash	\$	200
Other assets		50
<b>Total current assets</b>	<b>\$</b>	<b>250</b>
Current liabilities		
Current payables and other liabilities	\$	854
Equity		(603)
<b>Total liabilities and shareholders' equity</b>	<b>\$</b>	<b>250</b>

## b) Statement of Income (Loss)

<i>(unaudited – expressed in thousands of Canadian dollars)</i>		<b>Six months ended June 30, 2019</b>
Revenue	\$	-
Cost of sales		(778)
Expenses		(18)
<b>Net loss</b>	<b>\$</b>	<b>(796)</b>

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**13. Credit Facilities**

a) Credit Facility

On February 23, 2018 the Corporation entered into a definitive credit agreement with Sprott Private Resource Lending (Collector), L.P. ("Sprott") to provide a US\$15,000,000 credit facility (the "Credit Facility"). The Credit Facility has the following key terms:

- Term of 3 years, Maturity Date – February 23, 2021
- Interest rate on funds drawn down: the greater of
  - 7% plus US Dollar 3 month LIBOR and
  - 8% per annum, payable monthly
- Repayable in quarterly installments from October 31, 2019 through to the Maturity Date
- Upon draw down of funds a 3% draw down fee is charged
- 1,000,000 share purchase warrants were issued to Sprott with a five-year term, an exercise price of \$2.25 per share and a right by the Corporation to accelerate the expiry date to 30 days following the closing price of the shares exceeding \$5.63 for more than 20 consecutive trading days
- Repayable in whole or in part, without penalty, provided not less than twelve (12) months of interest has been paid on any outstanding amount
- On February 14, 2019 the Corporation extended the availability period of draw down to August 23, 2019 from February 23, 2019 by issuing to Sprott 171,480 Alexco common shares.

As of June 30, 2019, no amounts have been drawn down on the Credit Facility.

b) Line of Credit

On April 30, 2019, AEG entered into an agreement with the Bank of Montreal for a revolving line of credit ("LOC") for up to \$4,000,000. The LOC has an interest rate of approximately 5.7% on drawn funds, is secured against AEG assets and has customary covenants in place that are tested quarterly. AEG utilized the LOC capacity to post a \$1,000,000 letter of credit for a remediation project.

As of June 30, 2019 no amounts have been drawn on the LOC.

**14. Decommissioning and Rehabilitation Provision**

	<b>June 30 2019</b>	<b>December 31 2018</b>
Balance – beginning of period	\$ 5,286	\$ 5,055
Increase due to re-estimation	238	163
Accretion expense, included in finance costs	26	68
Balance – end of period	<b>\$ 5,550</b>	<b>\$ 5,286</b>

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

The total inflation adjusted estimated cash flows required to settle the decommissioning and rehabilitation provision is estimated to be \$6,444,000 (December 31, 2018 – \$6,561,000), with the expenditures expected to be incurred substantially over the course of the next 18 years. In determining the carrying value of the decommissioning and rehabilitation provision as at June 30, 2019, the Corporation has used a risk-free discount rate of 1.64% (December 31, 2018 – 2.08%) and an inflation rate of 2.0% (December 31, 2018 – 2.0%) resulting in a discounted amount of \$5,441,000 (December 31, 2018 – \$5,204,000).

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

## **15. Capital and Reserves**

### **Shareholders' Equity**

The Corporation is authorized to issue an unlimited number of common shares without par value.

The following share transactions took place during the six month period ended June 30, 2019:

1. On June 7, 2019, the Corporation completed a bought deal public offering and issued 6,500,000 common shares at a price of US\$1.00 per share for aggregate gross proceeds of US\$6,500,000. This issuance is under the base shelf prospectus filed on September 21, 2018 as detailed below. The Corporation incurred share issuance costs of US\$727,000.
2. On April 23, 2019 the Corporation completed a private placement, on a bought deal basis, of 1,842,200 flow-through common shares at a price of \$1.90 per share for gross proceeds of \$3,500,000. The flow-through common shares are comprised of: (i) 1,579,000 flow-through shares with respect to Canadian exploration expenses priced at \$1.90 per share; and (ii) 263,200 flow-through shares with respect to Canadian development priced at \$1.90 per share.
3. 386,655 common shares were issued from treasury on the vesting of restricted share units ("RSUs").
4. 90,000 options were exercised for proceeds of \$59,000.

On September 21, 2018 the Corporation filed a short form base shelf prospectus with the securities commissions in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario and a corresponding amendment to its registration statement on Form F-10 with the United States Securities and Exchange Commission under the U.S./Canada Multijurisdictional Disclosure System, which would allow the Corporation to make offerings of common shares, warrants, subscription receipts and/or units up to an aggregate total of \$50,000,000 during the 25-month period following September 21, 2018.

### **Equity Incentive Plans**

At the Corporation's annual general meeting held June 6, 2019, the shareholders approved three new equity incentive plans consisting of a stock option plan (the "New Option Plan"), a restricted share unit plan (the "New RSU Plan") and a deferred share unit plan (the "New DSU Plan") (collectively the "New Equity Incentive Plans"), under which the aggregate number of common shares:

- i. On the New Option Plan the maximum aggregate number of common shares issuable on the exercise of stock options cannot exceed 10% of the number of common shares issued and outstanding;
- ii. On the New RSU Plan the maximum aggregate number of common shares to be issued cannot exceed 3% of the number of common shares issued and outstanding; and
- iii. On the New DSU Plan the maximum aggregate number of common shares to be issued cannot exceed 2,100,000.

As at June 30, 2019, a total of 9,252,833 stock options and 507,001 RSUs were outstanding under the New Equity Incentive Plans and a total of 2,446,624 stock options, 3,002,836 RSUs and 2,100,000 DSUs remain available for future granting.

### **Incentive Stock Options**

Generally stock options under the New Option Plan have a maximum term of five years, vest one-third upon grant and one-third upon issuance and one third on each of the first and second anniversary dates of the grant date. The exercise price may not be less than the immediately preceding five day volume weighted average price of the Corporation's common shares traded through the facilities of the exchange on which the Corporation's common shares are listed.

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



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	Weighted average exercise price	Number of shares issued or issuable on exercise	Amount
Balance – December 31, 2018	\$ 1.66	7,738,833	\$ 5,469
Stock options granted	\$ 1.28	2,079,000	-
Share-based compensation expense	-	-	1,329
Options exercised	\$ 0.65	(90,000)	(29)
Options forfeited or expired	\$ 1.94	(475,000)	(442)
<b>Balance – June 30, 2019</b>	<b>\$ 1.57</b>	<b>9,252,833</b>	<b>\$ 6,327</b>
Balance – December 31, 2017	\$ 2.06	6,546,666	\$ 6,258
Stock options granted	\$ 2.07	2,524,000	-
Share-based compensation expense	-	-	2,480
Options exercised	\$ 0.77	(281,666)	(106)
Options forfeited or expired	\$ 5.39	(1,050,167)	(3,163)
<b>Balance – December 31, 2018</b>	<b>\$ 1.66</b>	<b>7,738,833</b>	<b>\$ 5,469</b>

During the six month period ended June 30, 2019, the fair value of options at the date of grant was estimated using the Black-Scholes option pricing model, assuming a risk-free rate ranging from 1.45% to 1.86% (2018 – 2.01% to 2.16%) per annum, an expected life of options of 4 years (2018 – 4 years), an expected volatility average of 71% based on historical volatility (2018 – 73%), an expected forfeiture rate average of 2% (2018 – 2%) and no expected dividends (2018 – nil).

Incentive share options outstanding and exercisable at June 30, 2019 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Shares Issuable on Exercise	Average Remaining Life (Years)	Average Exercise Price	Number of Shares Issuable on Exercise	Average Exercise Price
\$0.60	35,000	0.46	\$ 0.60	35,000	\$ 0.60
\$0.60	919,333	0.62	\$ 0.60	919,333	\$ 0.60
\$0.84	1,402,500	1.62	\$ 0.84	1,402,500	\$ 0.84
\$1.27	1,704,000	4.52	\$ 1.27	426,000	\$ 1.27
\$1.27	325,000	2.52	\$ 1.27	-	\$ 1.27
\$1.73	600,000	1.95	\$ 1.73	600,000	\$ 1.73
\$1.75	42,000	3.13	\$ 1.75	42,000	\$ 1.75
\$1.76	50,000	4.75	\$ 1.76	12,500	\$ 1.76
\$1.78	150,000	2.00	\$ 1.78	150,000	\$ 1.78
\$1.93	60,000	3.86	\$ 1.93	45,000	\$ 1.93
\$2.07	1,834,000	3.59	\$ 2.07	1,375,500	\$ 2.07
\$2.07	587,000	3.59	\$ 2.07	-	\$ 2.07
\$2.32	1,544,000	2.59	\$ 2.32	1,544,000	\$ 2.32
	<b>9,252,833</b>	<b>2.82</b>	<b>\$ 1.57</b>	<b>6,551,833</b>	<b>\$ 1.56</b>

The weighted average share price at the date of exercise for options exercised during the three and six month periods ended June 30, 2019 was \$1.73 and \$1.73 (2018 - \$2.01 and \$1.96), respectively.

During the three and six month periods ended June 30, 2019, the Corporation recorded total share-based compensation expense of \$506,000 and \$1,329,000 (2018 – \$664,000 and \$1,714,000), respectively, which related to incentive share options, of which \$58,000 and \$169,000 (2018 – \$101,000 and \$277,000) was recorded to mineral properties and \$448,000 and \$1,160,000 (2018 – \$563,000 and \$1,437,000) has been charged to income.

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Generally RSUs vest one-third upon issuance and one third on each of the first and second anniversary dates of the issuance date.

The changes in RSUs outstanding are summarized as follows:

	<b>Number of shares issued or issuable on vesting</b>	<b>Amount</b>
Balance – December 31, 2018	273,989	\$ 371
RSUs granted	625,000	-
Share-based compensation expense recognized	-	489
RSUs vested	(391,988)	(636)
<b>Balance – June 30, 2019</b>	<b>507,001</b>	<b>\$ 224</b>
Balance – December 31, 2017	398,325	\$ 401
RSUs granted	193,700	-
Share-based compensation expense recognized	-	467
RSUs vested	(318,036)	(497)
<b>Balance – December 31, 2018</b>	<b>273,989</b>	<b>\$ 371</b>

During the six month period ended June 30, 2019 the Corporation granted a total of 625,000 RSUs (2018 – 193,700) with a total grant-date fair value determined to be \$794,000 (2018 - \$399,000). Included in general and administrative expenses for the three and six month periods ended June 30, 2019 is share-based compensation expense of \$83,000 and \$489,000 (2018 –\$69,000 and \$331,000), respectively, related to RSU awards.

The weighted average share price at the date of vesting for RSUs during the six month period ended June 30, 2019 was \$1.46 (2018 - \$1.72).

**Deferred Share Units**

DSUs are only eligible for directors of the Corporation and generally vest upon a director ceasing to be a director of the Corporation.

As of June 30, 2019, there has been no DSUs granted.

**16. Revenue from Environmental Services**

The Corporation recorded environmental services revenue for the three and six month periods ending June 30, 2019 and 2018 as follows:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Environmental services revenue</b>				
Fee for service	\$ 3,858	\$ 3,281	\$ 7,796	\$ 5,832
Fixed price agreements	4,836	264	8,131	477
	<b>\$ 8,694</b>	<b>\$ 3,545</b>	<b>\$ 15,927</b>	<b>\$ 6,309</b>

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The Corporation recorded general and administrative expenses for the three and six month periods ending June 30, 2019 and 2018 as follows:

<b>Corporate</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>General and administrative expenses</b>				
Depreciation	\$ 23	\$ 23	\$ 45	\$ 48
Depreciation from ROU assets	52	-	104	-
Amortization of intangible assets	2	3	5	6
Business development and investor relations	128	126	201	284
Office, operating and non-operating overheads	117	86	262	246
Professional and advisory	69	165	140	338
Regulatory	4	12	157	155
Restructuring costs	-	28	-	92
Salaries and contractors	527	364	1,562	1,075
Share-based compensation	514	614	1,603	1,750
Travel	63	78	88	135
	\$ 1,499	\$ 1,499	\$ 4,167	\$ 4,129
<b>Environmental Services</b>				
<b>General and administrative expenses</b>				
Depreciation	\$ 49	\$ 19	\$ 96	\$ 34
Depreciation from ROU assets	79	-	159	-
Amortization of intangible assets	10	10	19	20
Business development	208	82	330	97
Office, operating and non-operating overheads	446	278	814	487
Professional	46	37	170	46
Salaries and contractors	1,047	608	1,886	1,008
Travel	32	42	87	63
	\$ 1,917	\$ 1,076	\$ 3,561	\$ 1,755
<b>Total General and Administrative Expenses</b>	\$ 3,416	\$ 2,575	\$ 7,728	\$ 5,884

**18. Mine Site Care and Maintenance**

The Corporation recorded mine site care and maintenance expenses for the three and six month periods ended June 30, 2019 and 2018 as follows:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Mine site care and maintenance</b>				
Depreciation	\$ 307	\$ 350	\$ 615	\$ 651
Salaries and contractors <sup>1</sup>	28	69	111	279
Materials and equipment <sup>1</sup>	16	52	89	198
Other expenses	104	481	264	505
	\$ 455	\$ 952	\$ 1,079	\$ 1,633

1. Included in mine site care and maintenance costs are refurbishment and mill maintenance costs.

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The Corporation recorded other income and expenses for the three and six month periods ended June 30, 2019 and 2018 as follows:

	Three Months Ended		Six Months Ended	
	2019	2018	2019	2018
Credit Facility fee	\$ (122)	\$ (281)	\$ (317)	\$ (380)
Interest on lease liabilities	(31)	-	(81)	-
Interest income	25	60	50	121
Foreign exchange gain (loss)	(23)	12	(24)	37
Other income (expenses)	(29)	(48)	(43)	(64)
	\$ (180)	\$ (257)	\$ (415)	\$ (286)

**20. Financial Instruments****Financial Assets and Liabilities**

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

	Fair Value Hierarchy Classification	June 30 2019	December 31 2018
Fair value through profit or loss			
Warrants	Level 2	\$ 4	\$ 24
Embedded derivative - Wheaton agreement	Level 3	\$ 16,158	\$ 9,671
Fair value through other comprehensive loss			
Investment in marketable securities	Level 1	\$ 719	\$ 736
		\$ 16,881	\$ 10,431

During the six month period ended June 30, 2019, the fair value of warrants were estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.52% (2018 – 1.90%) per annum, an expected life of options of 0.12 to 1.48 years (2018 – 1.12 years), an expected volatility of 64% to 74% (2018 – 116%) based on historical volatility and no expected dividends (2018 – nil).

During the six month period ended June 30, 2019, the fair value of the embedded derivative related to the Wheaton agreement was estimated using a probability-based dynamic pricing structure resulting in a mark-to-market adjustment of \$6,487,000 (2018 – \$663,000). The model currently relies upon inputs from the PFS announced on March 28, 2019, and considers payable ounces delivered and head grade. The model is updated quarterly for the discount rate used and silver price assumptions based on the risk-free yield curve and silver price forward curve at quarter end.

The carrying amounts of all of the Corporation's other financial assets and liabilities, carried at amortized cost, reasonably approximate their fair values due to their short-term nature.

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Supplemental cash flow information with respect to the three and six month periods ended June 30, 2019 and 2018 is summarized as follows:

	Three Months Ended		Six Months Ended	
	2019	2018	2019	2018
<b>Operating cash flows arising from interest and taxes</b>				
Interest received	\$ 14	\$ 17	\$ 52	\$ 46
<b>Non-cash investing and financing transactions</b>				
Capitalization of share-based compensation to mineral properties	\$ 58	\$ 100	\$ 169	\$ 277
Capitalization of depreciation to mineral properties	\$ 90	\$ 70	\$ 156	\$ 179
Capitalization of re-estimation of decommissioning and rehabilitation provision	\$ 41	\$ 83	\$ 237	\$ 141
Share issuance costs (non-cash)	\$ 104	\$ -	\$ 104	\$ -
Increase (decrease) in non-cash working capital related to:				
Mining operations properties	\$ (28)	\$ 25	\$ 2	\$ 33
Exploration and evaluation properties	\$ (379)	\$ 1,578	\$ 24	\$ 1,660

**22. Segmented Information**

The Corporation had two operating segments during the three and six month periods ended June 30, 2019 and 2018, being firstly mining operations, including care and maintenance of the formerly operating Bellekeno mine, producing silver, lead and zinc in the form of concentrates (suspended in September 2013), as well as exploration, underground development and evaluation activities; and secondly environmental services carried out through AEG, providing consulting and project management services in respect of environmental permitting and compliance and site remediation and reclamation. The Corporation's executive head office and general corporate administration are included within 'Corporate and other' to reconcile the reportable segments to the consolidated financial statements. An operating segment is a component of an entity that engages in business activities, operating results are reviewed by the chief operating decision maker with respect to resource allocation and for which discrete financial information is available. The chief operating decision maker for the Corporation is the Chief Executive Officer. Inter-segment transactions are recorded at amounts that reflect normal third-party terms and conditions, with inter-segment profits eliminated from the cost base of the segment incurring the charge. Revenue from non-Canadian customers of both operating segments was derived primarily from the United States.

Segmented information as at and for the three and six month periods ended June 30, 2019 and 2018 is summarized as follows:

**ALEXCO RESOURCE CORP.**
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 AND 2018**
*(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)*

<b>As at and for the three months ended June 30, 2019</b>	<b>Environmental Services</b>	<b>Mining</b>	<b>Corporate and Other</b>	<b>Total</b>
Segment revenues				
External customers				
Canadian	\$ 6,729	\$ -	\$ -	\$ 6,729
Non-Canadian	1,965	-	-	1,965
Total revenues as reported	8,694	-	-	8,694
Cost of sales	6,660	-	-	6,660
Depreciation and amortization	138	307	77	522
Share-based compensation	-	-	514	514
Other G&A expenses	1,778	18	890	2,686
Mine site care and maintenance	-	148	-	148
Foreign exchange (gain) loss	3	(3)	23	23
Loss on investments	-	1	4	5
Loss on equity investments	398	-	-	398
Gain on derivative asset	-	(1,005)	-	(1,005)
Other (income) loss	16	-	142	158
Segment income (loss) before taxes	\$ (299)	\$ 534	\$ (1,650)	\$ (1,415) <sup>(i)</sup>
Total assets	\$ 10,500	\$ 122,335	\$ 14,035	\$ 146,870
Total liabilities	\$ 3,801	\$ 11,066	\$ 3,210	\$ 18,077

<b>As at and for the three months ended June 30, 2018</b>	<b>Environmental Services</b>	<b>Mining</b>	<b>Corporate and Other</b>	<b>Total</b>
Segment revenues				
External customers				
Canadian	\$ 1,780	\$ -	\$ -	\$ 1,780
Non-Canadian	1,765	-	-	1,765
Total revenues as reported	3,545	-	-	3,545
Cost of sales	2,177	-	-	2,177
Depreciation and amortization	29	-	26	55
Share-based compensation	-	-	614	614
Other G&A expenses	1,044	26	835	1,905
Mine site care and maintenance	-	952	-	952
Foreign exchange (gain) loss	-	3	(15)	(12)
Loss on investments	-	6	67	73
Gain on derivative asset	-	(689)	-	(689)
Other (income) loss	(8)	19	229	240
Segment income (loss) before taxes	\$ 303	\$ (317)	\$ (1,756)	\$ (1,770) <sup>(i)</sup>
Total assets	\$ 6,802	\$ 103,545	\$ 23,181	\$ 133,528
Total liabilities	\$ 2,733	\$ 8,387	\$ 3,011	\$ 14,131

**ALEXCO RESOURCE CORP.**
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 AND 2018**
*(figures in tables are expressed in thousands of Canadian dollars, except per share amounts)*

<b>As at and for the six months ended June 30, 2019</b>	<b>Environmental Services</b>	<b>Mining</b>	<b>Corporate and Other</b>	<b>Total</b>
Segment revenues				
External customers				
Canadian	\$ 12,015	\$ -	\$ -	\$ 12,015
Non-Canadian	3,912	-	-	3,912
Total revenues as reported	15,927	-	-	15,927
Cost of sales	12,421	-	-	12,421
Depreciation and amortization	274	615	154	1,043
Share-based compensation	-	-	1,603	1,603
Other G&A expenses	3,285	37	2,373	5,695
Mine site care and maintenance	-	464	-	464
Foreign exchange (gain) loss	3	(5)	26	24
Loss on investments	-	5	14	19
Loss on equity investments	398	-	-	398
Gain on derivative asset	-	(6,487)	-	(6,487)
Other (income) loss	33	14	346	393
Segment income (loss) before taxes	\$ (487)	\$ 5,357	\$ (4,516)	\$ 354 <sup>(i)</sup>
Total assets	\$ 10,500	\$ 122,335	\$ 14,035	\$ 146,870
Total liabilities	\$ 3,801	\$ 11,066	\$ 3,210	\$ 18,077

  

<b>As at and for the six months ended June 30, 2018</b>	<b>Environmental Services</b>	<b>Mining</b>	<b>Corporate and Other</b>	<b>Total</b>
Segment revenues				
External customers				
Canadian	\$ 3,805	\$ -	\$ -	\$ 3,805
Non-Canadian	2,504	-	-	2,504
Total revenues as reported	6,309	-	-	6,309
Cost of sales	4,111	-	-	4,111
Depreciation and amortization	54	-	54	108
Share-based compensation	-	-	1,750	1,750
Other G&A expenses	1,700	49	2,276	4,025
Mine site care and maintenance	-	1,633	-	1,633
Foreign exchange (gain) loss	1	6	(44)	(37)
Loss on investments	-	86	361	447
Gain on derivative asset	-	(663)	-	(663)
Other (income) loss	(8)	35	267	294
Segment income (loss) before taxes	\$ 451	\$ (1,146)	\$ (4,664)	\$ (5,359) <sup>(i)</sup>
Total assets	\$ 6,802	\$ 103,545	\$ 23,181	\$ 133,528
Total liabilities	\$ 2,733	\$ 8,387	\$ 3,011	\$ 14,131

(i) Represents consolidated loss before taxes.

For the six month period ended June 30, 2019, revenue from three customers of the Corporation's Environmental Services segment represents approximately \$12,000,000 of the Corporation's consolidated revenue.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

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

**23. Related Party Transactions**

The Corporation's related parties include its subsidiaries and key management personnel. Key management personnel compensation for the three and six month periods ended June 30, 2019 and 2018 was as follows:

(a) Key Management Personnel Compensation

	Three Months Ended		Six Months Ended	
	2019	2018	2019	2018
Salaries and other short-term benefits	\$ 532	\$ 481	\$ 1,478	\$ 1,078
Share-based compensation	481	555	1,490	1,574
	\$ 1,013	\$ 1,036	\$ 2,968	\$ 2,652

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

**24. Commitments**

As at June 30, 2019, the Corporation's non-lease contractual obligations are as follows:

- (a) The Corporation's contractual obligations with respect to capital asset expenditures, totaled approximately \$360,000.
- (b) As a consequence of its commitment to renounce deductible exploration expenditures to the purchasers of flow-through shares, the Corporation is required to incur further renounceable exploration expenditures totaling \$2,088,500 by December 31, 2019 and \$3,000,100 by December 31, 2020.