



ALEXCO

ALEXCO RESOURCE CORP.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED
MARCH 31, 2020 AND 2019
(unaudited)**

**ALEXCO RESOURCE CORP.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 2020**

<i>(unaudited - expressed in thousands of Canadian dollars)</i>	Note	March 31 2020	December 31 2019
Current Assets			
Cash and cash equivalents	5	\$ 22,308	\$ 6,841
Accounts and other receivables		2,389	6,534
Investments	7	219	405
Inventories		1,140	1,285
Prepaid expenses and other		665	652
		26,721	15,717
Non-Current Assets			
Restricted cash and deposits	6	3,108	2,777
Investments	7	509	924
Inventories		4,282	4,282
Property, plant and equipment	8,12	14,294	16,048
Mineral properties	9	91,482	89,507
Embedded derivative asset	10	23,257	15,160
Other assets		-	938
		163,653	145,353
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	11	\$ 3,259	\$ 5,143
Lease liabilities	12	178	406
Environmental services contract loss provision		65	78
Deferred revenue		41	884
Flow-through share premium pending renunciation		118	205
		3,661	6,716
Non-Current Liabilities			
Lease liabilities	12	871	1,040
Decommissioning and rehabilitation provision	13	6,517	6,202
Deferred income tax liabilities		5,796	4,725
		16,845	18,683
Total Liabilities		16,845	18,683
Shareholders' Equity		146,808	126,670
Total Liabilities and Shareholders' Equity		\$ 163,653	\$ 145,353
COMMITMENTS	22		

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

"Terry Krepiakovich"

(signed)

Director

"Elaine Sanders"

(signed)

Director

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



ALEXCO RESOURCE CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTH PERIODS ENDED MARCH 31

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

	Note	2020	2019
Revenues			
Reclamation management revenue		567	290
Cost of Sales			
Reclamation management costs		540	317
Total Gross Profit (Loss)		27	(27)
Expenses			
General and administrative expenses	15	1,808	2,668
Mine site care and maintenance	16	813	624
		2,621	3,292
Operating Loss		(2,594)	(3,319)
Other Income (Expenses)			
Other income and expenses	17	(16)	(233)
Gain on embedded derivative	10	8,097	5,482
Income Before Taxes		5,487	1,930
Income Tax Provision			
Deferred		770	562
Net Income from Continued Operations		4,717	1,368
Discontinued Operations			
Income (loss) net of tax from discontinued operations	4	7,336	(161)
Net Income		12,053	1,207
Other Comprehensive Loss			
Loss on FVTOCI investments, net of tax		(569)	(83)
Items that may be reclassified subsequently to net loss			
Cumulative translation adjustments, net of tax		-	(59)
Other Comprehensive Loss		(569)	(142)
Total Comprehensive Income		\$ 11,484	\$ 1,065
Basic and diluted income per common share			
Continuing operations		\$ 0.04	\$ 0.01
Discontinued operations		\$ 0.06	\$ -
Weighted average number of common shares outstanding			
Basic		120,144,234	108,380,955
Diluted		122,589,115	110,498,164

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 MONTH PERIODS ENDED MARCH 31

(unaudited - expressed in thousands of Canadian dollars)

	2020	2019
Cash Flows used in Operating Activities		
Net income from continuing operations	\$ 4,717	\$ 1,368
Items not affecting cash from operations:		
Environmental services contract loss provision	(14)	4
Depreciation of fixed assets and right-of-use assets	399	400
Amortization of intangible assets	3	2
Share-based compensation expense	418	1,119
Finance costs, foreign exchange and other	(75)	(111)
Derivative asset gain	(8,097)	(5,482)
Unrealized loss on investments	32	15
Deferred income tax provision	770	562
Changes in non-cash working capital balances related to operations		
(Increase) decrease in accounts and other receivables	(2,026)	118
(Increase) decrease in inventories	(18)	37
Increase (decrease) in prepaid expenses and other current assets	(214)	271
Increase in deferred revenue	(68)	-
Increase in accounts payable and accrued liabilities	1,162	278
Cash used in operating activities from continuing operations	(3,011)	(1,419)
Cash from operating activities from discontinued operations	417	775
Cash used in operating activities	(2,594)	(644)
Cash Flows (used in) from Investing Activities		
Expenditures on mineral properties	(1,866)	(1,427)
Purchase or disposal of property, plant and equipment	(136)	(19)
Increase in restricted cash	(392)	-
Proceeds from sale of discontinued operations	12,100	-
Cash (used in) from investing activities from continuing operations	9,706	(1,446)
Cash (used in) from investing activities from discontinued operations	(40)	-
Cash (used in) from investing activities	9,666	(1,446)
Cash Flows from (used in) Financing Activities		
Proceeds from issuance of shares	8,626	-
Issuance costs	(863)	-
Repayment of lease liabilities	(71)	(71)
Proceeds from exercise of stock options	406	59
Cash (used in) from financing activities from continuing operations	8,098	(12)
Cash (used in) from financing activities from discontinued operations	(40)	(82)
Cash (used in) from financing activities	8,058	(94)
Decrease in Cash and Cash Equivalents	15,130	(2,877)
Change of Cash of Discontinued Operations	337	693
Cash and Cash Equivalents - Beginning of Period	6,841	8,576
Cash and Cash Equivalents - End of Period	\$ 22,308	\$ 6,392

SUPPLEMENTAL CASH FLOW INFORMATION (see note 19)

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 THREE MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

(unaudited - expressed in thousands of Canadian dollars)

	Common Shares			Share Options, DSU's and RSU's	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Amount	Warrants					
Balance - December 31, 2019	119,150,667	\$ 229,112	\$ 1,560	\$ 8,645	\$ 19,348	\$ (130,713)	\$ (1,282)	126,670
Net income	-	-	-	-	-	12,053	-	12,053
Other comprehensive loss	-	-	-	-	-	-	(569)	(569)
Share-based compensation expense recognized	-	-	-	488	-	-	-	488
Equity Offering, net of issuance costs	4,662,675	7,761	-	-	-	-	-	7,761
Exercise of share options	592,333	605	-	(200)	-	-	-	405
Share options forfeited or expired	-	-	-	(1)	1	-	-	-
Release of RSU settlement shares	251,664	354	-	(354)	-	-	-	-
Balance - March 31, 2020	124,657,339	\$ 237,832	\$ 1,560	\$ 8,578	\$ 19,349	\$ (118,660)	\$ (1,851)	146,808
Balance - December 31, 2018	107,998,902	\$ 212,903	\$ 2,494	\$ 5,841	\$ 18,906	\$ (121,798)	\$ (1,716)	116,630
Net income	-	-	-	-	-	1,207	-	1,207
Other comprehensive loss	-	-	-	-	-	-	(142)	(142)
Share-based compensation expense recognized	-	-	-	1,229	-	-	-	1,229
Credit Facility fee - Shares	171,480	211	-	-	-	-	-	211
Exercise of share options	90,000	89	-	(29)	-	-	-	60
Share options forfeited or expired	-	-	-	(442)	442	-	-	0
Release of RSU settlement shares	386,655	625	-	(625)	-	-	-	0
Balance - March 31, 2019	108,647,037	213,828	2,494	5,974	19,348	(120,591)	(1,858)	119,195

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 MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

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

1. Description of Business and Nature of Operations

Alexco Resource Corp. (“Alexco” or the “Corporation”) was incorporated under the Business Corporations Act (Yukon) on December 3, 2004 and commenced operations on March 15, 2005. Effective December 28, 2007, it was continued under the Business Corporations Act (British Columbia). The Corporation operates a mining business, comprising mineral exploration and mine development in the Yukon Territory of Canada. Since inception the Corporation has also operated a subsidiary environmental services business “AEG”. During the quarter the Corporation entered into a share purchase agreement (the “AEG Sale Agreement”) for the sale of Alexco Environmental Group (“AEG”), a 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 (refer to Note 4).

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. CRITICAL JUDGEMENTS AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

In preparing Alexco’s consolidated financial statements, the Corporation makes judgments in applying its accounting policies. The areas of policy judgment are consistent with those reported in Alexco’s 2019 annual consolidated financial statements. In addition, the Corporation makes assumptions about the future in deriving estimates used in preparing its consolidated financial statements. As disclosed in Alexco’s 2019 annual consolidated financial statements, sources of estimation uncertainty include estimates used to determine the recoverable amounts of long-lived assets, recoverable reserves and resources, the provision for income taxes and the related deferred tax assets and liabilities and the valuation of other assets and liabilities including decommissioning and restoration provisions.

- **COVID-19**

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are anticipated to be far-reaching. To date there have been significant stock market declines and volatility, significant volatility in commodity and foreign exchange markets, restrictions on the conduct of business in many jurisdictions and the global movement of people and some goods has become restricted. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on demand and prices for the commodities that Alexco intends to produce, on Alexco’s suppliers, on Alexco’s employees and contractors and on global financial markets.

During the quarter ended March 31, 2020, the Corporation made efforts to safeguard the health of its employees, while continuing to operate safely and maintaining essential business activity. In addition, in late March 2020, to support public health efforts in the Yukon, and in consideration of the uncertainty caused by the COVID-19 pandemic as previously described, the Corporation suspended underground development of the Flame & Moth and Birmingham deposits at Keno Hill. Costs to maintain the site and contractors on standby and other costs associated with a potential restart of development activities will be expensed in future periods.

These measures combined with commodity market fluctuations resulting from COVID-19 have affected the results through the embedded derivative resulting in a gain of \$8,097,000 during the quarter ended March 31, 2020. While commodity prices have declined in U.S. dollar terms; Alexco’s operations located in Canada have benefited from the weakening of the Canadian currency relative



**ALEXCO RESOURCE CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2020 AND 2019**

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to the U.S. dollar. Assumptions about future commodity prices, exchange rates, and interest rates are subject to greater variability than normal, which could in future significantly affect the valuation of Alexco's assets, both financial and non-financial.

- *Discontinued operation*

Management's judgment was required in assessing whether the sale of the subsidiary environmental business meets the criteria to be presented as a discontinued operation. Considerations included: whether there were separately identifiable operations from the remaining operations of the Corporation, and whether there are cash flows that can be distinguished. Management also noted that there are no remaining environmental consulting services performed by Alexco and that the subsidiary environmental business reported their separate financial results and cash flows to management and the board of directors and the chief operating decision maker of the Corporation. Management concluded that the subsidiary environmental business was a component that represents a separate major line of business and has accordingly applied the presentation for a discontinued operation.

3. 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, being for the year ended December 31, 2019, 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. These interim condensed consolidated financial statements were approved for issuance by the Board of Directors on May 13, 2020.

These consolidated financial statements have been prepared on a going concern basis, 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.

4. Disposition of Subsidiary Business, AEG

On February 14, 2020 the Corporation entered into the AEG Sale Agreement for the sale of AEG, to AEG's executive management. The Corporation has owned and operated the environmental services business, as well as Elsa Reclamation and Development Company Ltd. ("ERDC"), with both businesses providing environmental services to its clients. ERDC is specifically retained by the Federal Government of Canada as a paid contractor responsible on a continuing basis for the environmental care and maintenance and ultimate closure and reclamation of the former United Keno Hill Mines ("UKHM") mineral properties. ERDC and AEG are separately identifiable entities that have their own operations and cashflows that allow them to be distinguished from each other. Upon entering the AEG Sale Agreement, the Corporation considered AEG to be a disposal group held-for-sale and a discontinued operation. The Corporation recorded a gain on disposal of \$8,030,000. Under the terms of the AEG Sale Agreement, AEG's executive management purchased all of the shares of AEG in consideration for payment to Alexco of \$13,350,000. On February 14, 2020 Alexco received \$12,100,000 in cash, with the balance of \$1,250,000 receivable pursuant to a non-interest bearing promissory note that matures on February 14, 2021.

The carrying amounts of assets and liabilities included in the disposal group are as follows:



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	March 31 2020	December 31 2019
Cash and cash equivalents	\$ -	\$ 348
Accounts and other receivables	-	6,021
Inventories	-	162
Prepaid expenses	-	200
Property, plant and equipment	-	1,638
Other assets	-	935
Assets of disposal group	\$ -	\$ 9,304

	March 31 2020	December 31 2019
Accounts payable and accrued liabilities	\$ -	\$ 1,767
Lease liabilities	-	356
Deferred revenue	-	775
Liabilities of disposal group	\$ -	\$ 2,898

The net income (loss) reported in discontinued operations for the three month periods ended March 31, 2020 and 2019 is presented as follows:

	2020	2019
Environmental Services Revenue	\$ 2,207	\$ 6,952
Environmental Services Costs	(1,424)	(5,444)
General and administrative expenses	(1,263)	(1,669)
Deferred tax expense on sale of discontinued operations	(214)	-
Gain on sale of discontinued operations	8,030	-
Income (loss) after tax from discontinued operations	\$ 7,336	\$ (161)



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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

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

5. Cash and Cash Equivalents

	March 31 2020	December 31 2019
Cash at bank and on hand	\$ 21,778	\$ 6,313
Short-term bank deposits	530	528
	\$ 22,308	\$ 6,841

6. Restricted Cash and Deposits

	March 31 2020	December 31 2019
Security for decommissioning obligations	\$ 3,009	\$ 2,611
Other	99	166
	\$ 3,108	\$ 2,777

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. During the quarter, the Corporation increased the cash collateral posted for security by \$392,000.

7. Investments

	March 31 2020	December 31 2019
Common shares held	\$ 720	\$ 1,289
Warrants held	8	40
Total investments	728	1,329
Less: current portion	219	405
	\$ 509	\$ 924

As of March 31, 2020, the Corporation held 11,136,644 common shares of Banyan Gold Corp. ("Banyan") (December 31, 2019 – 11,136,644) and 995,500 common shares of Golden Predator Mining Corp. ("Golden Predator") (December 31, 2019 – 995,500). As of March 31, 2020, the Corporation also held 2,780,822 warrants of Banyan (December 31, 2019 – 2,780,822) with exercise prices of both \$0.15 and \$0.09 and expiry dates of July 19, 2020 and April 19, 2021. The Corporation also held 300,000 warrants of Golden Predator (December 31, 2019 – 300,000) with an exercise price of \$1.00 per share and an expiry date of December 21, 2020.

During the quarter ended March 31, 2020, the Corporation recorded a pre-tax loss on investments of \$32,000 (2019 – \$14,000) on warrants held in Banyan and Golden Predator. The Corporation also recorded in other comprehensive income a fair value loss adjustment, net of tax of \$569,000 (2019 – \$83,000) on common shares held in Banyan and Golden Predator.



ALEXCO RESOURCE CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

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

8. Property, Plant and Equipment

Cost	Land and Buildings	Camp, Roads, and Other Site	Ore Processing Mill	Heavy Machinery and Equipment	Leasehold Improvements & Other	Total
December 31, 2019	\$ 1,709	\$ 5,584	\$ 23,256	\$ 10,312	\$ 1,503	\$ 42,364
Additions	-	-	-	224	-	224
Disposal of AEG	-	-	-	(2,212)	(427)	(2,639)
Change of estimate in decommission provision	-	-	146	-	-	146
March 31, 2020	\$ 1,709	\$ 5,584	\$ 23,402	\$ 8,324	\$ 1,076	\$ 40,095

Accumulated Depreciation	Land and Buildings	Camp, Roads, and Other Site	Ore Processing Mill	Heavy Machinery and Equipment	Leasehold Improvements & Other	Total
December 31, 2019	\$ 507	\$ 5,022	\$ 12,620	\$ 8,061	\$ 1,456	\$ 27,666
Depreciation	19	38	295	131	7	490
Disposal of AEG	-	-	-	(977)	(397)	(1,374)
March 31, 2020	\$ 526	\$ 5,060	\$ 12,915	\$ 7,215	\$ 1,066	\$ 26,782

Net book Value	Land and Buildings	Camp, Roads, and Other Site	Ore Processing Mill	Heavy Machinery and Equipment	Leasehold Improvements & Other	Total
December 31, 2019	\$ 1,202	\$ 562	\$ 10,636	\$ 2,251	\$ 47	\$ 14,698
March 31, 2020	\$ 1,183	\$ 524	\$ 10,487	\$ 1,109	\$ 10	\$ 13,313

(i) Refer to Note 12, as amount excludes ROU assets net book value of \$981,000 as of March 31, 2020

During the three month period ended March 31, 2020, the Corporation recorded total depreciation of property, plant and equipment of \$490,000 (2019 – \$442,000) of which \$356,000 (2019 – \$328,000) has been charged to income under general expenses and mine site care and maintenance, and \$51,000 (2019 - \$48,000) has been charged to discontinued operations.

Of the depreciation recorded for the three month period ended March 31, 2020, \$83,000 (2019 – \$66,000) was 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 MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

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

9. Mineral Properties

	December 31 2019	Expenditures Incurred	March 31 2020
Mineral Properties			
Keno Hill District Properties			
Bellekeno	\$ 7,566	\$ 190	\$ 7,756
Lucky Queen	941	41	982
Onek	1,105	27	1,132
McQuesten ⁱ	1,997	-	1,997
Silver King	4,464	-	4,464
Flame & Moth	28,904	146	29,050
Birmingham	36,273	1,571	37,844
Elsa Tailings	884	-	884
Other Keno Hill Properties	7,373	-	7,373
Total	\$ 89,507	\$ 1,975	\$ 91,482

	December 31 2018	Expenditures Incurred	December 31 2019
Mineral Properties			
Keno Hill District Properties			
Bellekeno	\$ 7,123	\$ 443	\$ 7,566
Lucky Queen	824	117	941
Onek	1,065	40	1,105
McQuesten ⁱ	1,997	-	1,997
Silver King	4,464	-	4,464
Flame & Moth	28,311	593	28,904
Birmingham	32,084	4,189	36,273
Elsa Tailings	884	-	884
Other Keno Hill Properties	2,799	5,474	7,373
Total	\$ 82,226	\$ 7,281	\$ 89,507

- (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 buy 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 (\$1,510,943 incurred to March 31, 2020), issue 1,600,000 shares (1,200,000 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. As at March 31, 2020, the option agreement is in good standing.

	Mining Operations Properties	Exploration and Evaluation Properties	Total
March 31, 2020			
Cost	\$ 101,448	\$ 80,493	\$ 181,941
Accumulated depletion and write-downs	(90,459)	-	(90,459)
Net book value	\$ 10,989	\$ 80,493	\$ 91,482
December 31, 2019			
Cost	\$ 100,073	\$ 79,893	\$ 179,966
Accumulated depletion and write-downs	(90,459)	-	(90,459)
Net book value	\$ 9,614	\$ 79,893	\$ 89,507



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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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10. Embedded Derivative Asset and Silver Stream

	March 31 2020	December 31 2019
Embedded derivative asset – Beginning of period	\$ 15,160	\$ 9,671
Fair value adjustment	8,097	5,489
Embedded derivative asset – End of period	\$ 23,257	\$ 15,160

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.

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 on April 21, 2020 was reset to December 31, 2021. If the completion test is not satisfied by December 31, 2021, 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, 2021. 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 on April 10, 2017 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 Income and Loss.

As at March 31, 2020, 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 utilizes 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.



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

11. Accounts Payable and Accrued Liabilities

	March 31 2020	December 31 2019
Trade payables	\$ 1,759	\$ 2,450
Accrued liabilities and other	1,500	2,693
	\$ 3,259	\$ 5,143

12. Leases

a) Right-of-use assets

The Corporation's significant lease arrangements primarily include contracts for leasing office facilities. As at March 31, 2020, \$981,000 of right-of-use assets were recorded as part of property, plant and equipment.

	March 31 2020	December 31 2019
Right-of-use asset – Beginning of period	\$ 1,350	\$ 1,833
Depreciation	(93)	(533)
Disposals	(276)	-
	\$ 981	\$ 1,300

- (i) During the three month period ended March 31, 2020, the Corporation recorded total depreciation of \$93,000 of which \$50,000 has been charged to discontinued operations.

b) Lease liabilities

As at March 31, 2020, the Corporation had, \$1,049,000 of lease liabilities. The incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019 was 10.83%.

	March 31 2020	December 31 2019
Lease liability, Beginning of period	\$ 1,446	\$ 1,883
Cash flows: Principal payments	(117)	(599)
Non-cash changes: Accretion	31	162
Disposals	(311)	-
Lease liability	1,049	1,446
Less : current portion	178	406
	\$ 871	\$ 1,040

- (ii) During the three month period ended March 31, 2020, the Corporation made \$117,000 in lease payments, of which \$46,000 has been reclassified to discontinued operations. For the same period, the Corporation recorded total accretion of \$31,000 of which \$5,000 has been charged to discontinued operations.



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c) Undiscounted lease payments

As at March 31, 2020, the Corporation's undiscounted lease payments consisted of the following:

	March 31 2020
2020	\$ 211
2021	278
2022	281
2023	289
2024	289
	\$ 1,348

13. Decommissioning and Rehabilitation Provision

	March 31 2020	December 31 2019
Balance – beginning of period	\$ 6,202	\$ 5,286
Increase due to re-estimation	304	853
Accretion expense, included in finance costs	11	63
Balance – end of period	\$ 6,517	\$ 6,202

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 deposits. 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 \$7,317,000 (December 31, 2019 – \$7,464,000), with the expenditures expected to be incurred substantially over the course of the next 20 years. In determining the carrying value of the decommissioning and rehabilitation provision as at March 31, 2020, the Corporation has used a risk-free discount rate of 1.16% (December 31, 2019 – 1.65%) and an inflation rate of 2.0% (December 31, 2019 – 2.0%) resulting in a discounted amount of \$6,442,000 (December 31, 2019 – \$6,138,000).

14. 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 three month period ended March 31, 2020:

1. On March 27, 2020, the Corporation completed a public offering and issued 4,662,675 common shares at a price of \$1.85 per share for aggregate gross proceeds of \$8,625,948. This issuance is under the base shelf prospectus filed on September 21, 2018 as detailed below. The Corporation incurred share issuance costs of \$865,000.
2. 251,664 common shares were issued from treasury on the vesting of restricted share units ("RSUs").
3. 592,333 options were exercised for proceeds of \$405,000.

On September 21, 2018 the Corporation filed a short form base shelf prospectus ("Shelf") with the securities commissions, which would allow the Corporation to make offerings of common shares, warrants, subscription



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receipts and/or units up to an aggregate total of \$50,000,000 during the 25-month period following September 21, 2018. As of March 31, 2020, the balance remaining on the Shelf is \$32,739,620.

Equity Incentive Plans

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

- i. On the 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 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 DSU Plan the maximum aggregate number of common shares to be issued cannot exceed 2,100,000.

As at March 31, 2020, a total of 9,867,900 stock options, 412,006 RSUs and 280,000 DSUs were outstanding under the Equity Incentive Plans and a total of 2,597,833 stock options, 3,327,714 RSUs and 1,820,000 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 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:

	Weighted average exercise price	Number of shares issued or issuable on exercise	Amount
Balance – December 31, 2019	\$ 1.81	10,465,233	\$ 8,151
Stock options granted ¹	-	-	-
Share-based compensation expense	-	-	364
Options exercised	\$ 0.72	(592,333)	(200)
Options forfeited or expired	\$ 0.60	(5,000)	(1)
Balance – March 31, 2020	\$ 1.88	9,867,900	\$ 8,314
Balance – December 31, 2018	\$ 1.66	7,738,833	\$ 5,469
Stock options granted	\$ 1.93	4,053,900	-
Share-based compensation expense	-	-	3,507
Options exercised	\$ 0.90	(852,500)	(383)
Options forfeited or expired	\$ 1.94	(475,000)	(442)
Balance – December 31, 2019	\$ 1.81	10,465,233	\$ 8,151

During the three month period ended March 31, 2020, there were no stock options granted. For the three month period ended March 31, 2019 fair value of options at the date of grant was estimated using the Black-Scholes option pricing model, assuming an average risk-free rate of 1.65% to 1.86% per annum, an expected life of options of 4 years, an expected volatility of 62% to 72% based on historical volatility, an expected forfeiture rate of 0% to 2% and no expected dividends.



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Incentive share options outstanding and exercisable at March 31, 2020 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
\$0.84	1,205,000	0.87	\$ 0.84	1,205,000	\$ 0.84
\$1.27	1,699,000	3.76	\$ 1.27	1,274,250	\$ 1.27
\$1.27	325,000	1.76	\$ 1.27	-	\$ 1.27
\$1.73	500,000	1.19	\$ 1.73	500,000	\$ 1.73
\$1.75	40,000	2.38	\$ 1.75	40,000	\$ 1.75
\$1.76	50,000	3.99	\$ 1.76	37,500	\$ 1.76
\$1.78	150,000	1.24	\$ 1.78	150,000	\$ 1.78
\$1.93	60,000	3.11	\$ 1.93	60,000	\$ 1.93
\$2.07	1,733,000	2.83	\$ 2.07	1,733,000	\$ 2.07
\$2.07	587,000	2.83	\$ 2.07	-	\$ 2.07
\$2.32	1,544,000	1.84	\$ 2.32	1,544,000	\$ 2.32
\$2.61	1,974,900	4.71	\$ 2.61	658,300	\$ 2.61
	9,867,900	2.83	\$ 1.88	7,202,050	\$ 1.79

The weighted average share price at the date of exercise for options exercised during the three month period ended March 31, 2020 was \$2.79 (2019 - \$1.73).

During the three month period ended March 31, 2020, the Corporation recorded total share-based compensation expense of \$364,000 (2019 - \$823,000), which related to incentive share options, of which \$71,000 (2019 - \$111,000) was recorded to mineral properties and \$293,000 (2019 - \$712,000) has been charged to income.

Restricted Share Units

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:

	Number of shares issued or issuable on vesting	Amount
Balance – December 31, 2019	663,670	\$ 494
Share-based compensation expense recognized	-	124
RSUs vested	(251,664)	(354)
Balance – March 31, 2020	412,006	\$ 264
Balance – December 31, 2018	273,989	\$ 371
RSUs granted	860,000	-
Share-based compensation expense recognized	-	963
RSUs vested	(470,319)	(840)
Balance – December 31, 2019	663,670	\$ 494

During the three month period ended March 31, 2020 the Corporation granted a total of \$nil RSUs (2019 - 625,000) with a total grant-date fair value determined to be \$nil (2019 - \$794,000).



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Included in general and administrative expenses for the three month period ended March 31, 2020 is share-based compensation expense of \$124,000 (2019 – \$406,000) related to RSU awards.

The weighted average share price at the date of vesting for RSUs during the three month period ended March 31, 2020 was \$2.77 (2019 - \$1.46).

Deferred Share Units

Only directors of the Corporation are eligible for DSUs and each DSU vests immediately and is redeemed upon a director ceasing to be a director of the Corporation.

During the three month period ended March 31, 2020 the Corporation did not grant any DSUs.

15. General and Administrative Expenses by Nature of Expense

The Corporation recorded general and administrative expenses for the three month periods ending March 31, 2020 and 2019 as follows:

Corporate	2020	2019
General and administrative expenses		
Depreciation of property, plant and equipment	\$ 21	\$ 22
Depreciation from ROU assets	52	52
Amortization of intangible assets	3	3
Business development and investor relations	66	73
Office, operating and non-operating overheads	146	145
Professional	271	71
Regulatory	185	153
Restructuring costs	-	-
Salaries and contractors	639	1,035
Share-based compensation	401	1,089
Travel	24	25
	\$ 1,808	\$ 2,668
Discontinued operations¹		
General and administrative expenses		
AEG	\$ 1,263	\$ 1,669
	\$ 1,263	\$ 1,669

Note:

1. The environmental services business, AEG, was sold on February 14, 2020. These expenses are reflected under discontinued operations and are no longer being incurred by Alexco subsequent to February 14, 2020 (see Note 4).



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16. Mine Site Care and Maintenance

The Corporation recorded mine site care and maintenance expenses for the three month periods ended March 31, 2020 and 2019 as follows:

	2020	2019
Mine site care and maintenance		
Depreciation of property, plant and equipment	\$ 330	\$ 308
Salaries and contractors	207	83
Materials and equipment	90	73
Other expenses	186	160
	\$ 813	\$ 624

17. Other Income and expenses

The Corporation recorded other income and expenses for the three month periods ended March 31, 2020 and 2019 as follows:

	2020	2019
Credit Facility fee – warrants	\$ -	\$ (195)
Interest on lease liabilities	(31)	(34)
Loss on investments	(32)	(14)
Interest income	48	25
Foreign exchange gain (loss)	6	(1)
Other income (expenses)	(7)	(14)
	\$ (16)	\$ (233)

18. 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	March 31 2020	December 31 2019
Fair value through profit or loss			
Warrants	Level 2	\$ 8	\$ 40
Embedded derivative - Wheaton agreement	Level 3	\$ 23,257	\$ 15,160
Fair value through other comprehensive loss			
Investment in marketable securities	Level 1	\$ 720	\$ 1,289
		\$ 23,985	\$ 16,489

During the three month period ended March 31, 2020, the fair value of warrants were estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.46% (2019 – 1.56%) per annum,



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an expected life of options of 0.30 to 1.05 years (2019 – 0.38 to 1.73 years), an expected volatility of 77% to 94% (2019 – 74% to 92%) based on historical volatility and no expected dividends (2019 – nil).

During the three month period ended March 31, 2020, 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 \$8,097,000 (2019 – 5,482,000). The model currently relies upon inputs from the PFS dated 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.

19. Supplemental Cash Flow Information

Supplemental cash flow information with respect to the three month period ended March 31, 2020 and 2019 is summarized as follows:

	2020	2019
Operating Cash Flows Arising From Interest and Taxes		
Interest received	32	38
Non-Cash Investing and Financing Transactions		
Capitalization of share-based compensation to mineral properties	71	111
Capitalization of depreciation to mineral properties	83	66
Capitalization of re-estimation of decommissioning and rehabilitation provision	304	96
Increase in non-cash working capital related to:		
Mineral properties	203	433

20. Segmented Information

The Corporation had two operating segments during the three month periods ended March 31, 2020 and 2019, 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 ERDC and AEG, providing consulting and project management services in respect of environmental permitting and compliance and site remediation and reclamation. AEG was sold on February 14, 2020 (See Note 4). The Corporation will continue to operate an environmental reclamation segment of the business focused on the clean-up of historical liabilities of the Keno Hill Silver District through a contract with the Federal Government of Canada. 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.

Segmented information as at and for the three month period ended March 31, 2020 and 2019 is summarized as follows:



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As at and for the three month period ended March 31, 2020	Environmental Reclamation	Mining	Corporate and Other	Total
Segment revenues				
External customers				
Canadian	\$ 567	\$ -	\$ -	\$ 567
Total revenues as reported	567	-	-	567
Cost of sales	540	-	-	540
Depreciation and amortization	-	330	76	406
Share-based compensation	-	-	401	401
Other G&A expenses	-	-	1,352	1,352
Mine site care and maintenance	-	483	-	483
Foreign exchange (gain) loss	-	3	(9)	(6)
Loss on investments	-	7	25	32
Gain on derivative asset	-	(8,097)	-	(8,097)
Other (income) loss	-	-	(31)	(31)
Segment income (loss) before taxes	\$ 27	\$ 7,274	\$ (1,814)	\$ 5,487 ⁽ⁱ⁾
Total assets	\$ 882	\$ 136,035	\$ 26,736	\$ 163,653
Total liabilities	\$ 689	\$ 14,041	\$ 2,115	\$ 16,845

As at and for the three month period ended March 31, 2019	Environmental Reclamation	Mining	Corporate and Other	Total
Segment revenues				
External customers				
Canadian	\$ 290	\$ -	\$ -	\$ 290
Non-Canadian	-	-	-	-
Total revenues as reported	290	-	-	290
Cost of sales	317	-	-	317
Depreciation and amortization	-	308	77	385
Share-based compensation	-	-	1,089	1,089
Other G&A expenses	-	19	1,483	1,502
Mine site care and maintenance	-	316	-	316
Foreign exchange (gain) loss	-	(2)	3	1
Loss on investments	-	4	10	14
Gain on derivative asset	-	(5,482)	-	(5,482)
Other (income) loss	-	14	204	218
Segment income (loss) before taxes	\$ (27)	\$ 4,823	\$ (2,866)	\$ 1,930 ⁽ⁱ⁾
Total assets	\$ 10,987	\$ 119,877	\$ 6,055	\$ 136,919
Total liabilities	\$ 4,045	\$ 10,869	\$ 2,810	\$ 17,724

(i) Represents consolidated loss before taxes.

21. Related Party Transactions

The Corporation's related parties include its subsidiaries and key management personnel. Key management includes the Corporation's Board of Directors and members of senior management. Key management compensation for the three month periods ended March 31, 2020 and 2019 was as follows:



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	2020	2019
Salaries and other short-term benefits	\$ 834	\$ 946
Share-based compensation	363	1,009
	\$ 1,197	\$ 1,955

22. Commitments

As at March 31, 2020, the Corporation's contractual obligations are as follows:

- (a) The Corporation's other contractual obligations, including 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 \$1,115,000 by December 31, 2020.

