FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

ALEXCO RESOURCE CORP.

Building a Sustainable Future In Silver

ALEXCO RESOURCE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

(i) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions related to acquisitions and dispositions of Alexco's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, and that Alexco receipts and expenditures are made only in accordance with authorizations of management and Alexco's directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Alexco assets that could have a material effect on Alexco's financial statements.

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

The effectiveness of Alexco's internal control over financial reporting as at December 31, 2020 has been audited by PricewaterhouseCoopers LLP, Alexco's independent registered public accounting firm.

Management assessed the effectiveness of Alexco's internal control over financial reporting as at December 31, 2020, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that Alexco's internal control over financial reporting was effective as at December 31, 2020.

"Clynton R. Nauman"
(signed)

Clynton R. Nauman
Chairman and Chief Executive Officer

"Michael Clark"
(signed)

Michael Clark
Chief Financial Officer

March 11, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Alexco Resource Corp.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Alexco Resource Corp. and its subsidiaries (together, the Company) as of December 31, 2020 and 2019, and the related consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 4 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

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Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Keno Hill cash-generating unit (CGU) impairment assessment

As described in Notes 3, 5, and 10 to the consolidated financial statements, the Bermingham and Flame & Moth properties in the Keno Hill district, carried at $51.1 million, were determined to be commercially viable and technically feasible on August 5, 2020 and accordingly, an impairment assessment was required at that date. These assets do not generate cash flows that are independent from other assets; therefore, the recoverable amount of the CGU to which these assets belong was determined. The CGU is the smallest identifiable group of assets and liabilities that generate cash inflows independent from other assets. Management determined that the Keno Hill CGU included the assets and liabilities related to the Bellekeno, Bermingham, Flame & Moth, and Lucky Queen properties. The recoverable amount of the Keno Hill CGU was assessed as the higher of the value in use or fair value less costs of disposal (FVLCD). The recoverable amount was determined by management based on the FVLCD method using discounted future cash flows and was then compared to the carrying amount of the Keno Hill CGU at August 5, 2020. Management's assessed FVLCD exceeded the carrying amount of the Keno Hill CGU and as a result, no impairment loss was recognized in the consolidated statement of loss and comprehensive loss. In arriving at the FVLCD, discounted cash flows were estimated using significant assumptions related to commodity prices, foreign currency exchange rates, mineral reserves and resources, the production profile, operating costs, capital costs and the discount rate. Management estimates the production profile, operating and capital costs and mineral reserves and resources based on information compiled and reviewed by management's experts.

The principal considerations for our determination that performing procedures relating to the Keno Hill CGU impairment assessment is a critical audit matter are (i) the significant judgments by management when developing the FVLCD of the Keno Hill CGU; (ii) management's experts compiled and reviewed information used to estimate the production profile, operating and capital costs and mineral reserves and resources; (iii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to commodity prices, foreign currency exchange rates, mineral reserves and resources, the production profile, operating costs, capital costs and the discount rate; and (iv) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment assessment, including controls over the determination of the FVLCD of the Keno Hill CGU. These procedures also included, among others, (i) testing management's process for determining the recoverable amount; (ii) evaluating the appropriateness of the discounted cash flow model; (iii) testing the completeness and accuracy of underlying data used in the model; and (iv) evaluating the reasonableness of the significant assumptions used by management, such as commodity prices, foreign currency exchange rates, mineral reserves and resources, the production profile, operating costs, capital costs and the discount rate. Evaluating the reasonableness of management's assumptions with respect to (i) operating and capital costs involved comparing these costs to the past performance of the Bellekeno property included in the Keno Hill CGU, (ii) the commodity prices and the foreign exchange rate were compared to external market and industry data, and these assumptions were also compared to evidence obtained in other areas of the audit, as applicable. The work of management's experts was used in performing the procedures to evaluate the reasonableness of the production profile, operating and capital costs and mineral reserves and resources. As a basis for using this work, the experts' qualifications were understood and the Company's relationship with the specialists was assessed. The procedures performed also included evaluation of the methods and assumptions used by the experts, tests of the data used by the experts and an evaluation of the experts' findings. Professionals with specialized skill and knowledge were used to assist in the evaluation of the discount rate.

Valuations of the embedded derivative asset

As described in Notes 3, 5, 11 and 20 to the consolidated financial statements, on March 29, 2017 management amended the terms of the Wheaton Precious Metals (Wheaton) Silver Purchase Arrangement (SPA) to include a variable production payment resulting in an embedded derivative within this host contract that is recorded at its fair value at each reporting period. The Wheaton SPA was further amended on August 5, 2020 to update the variable production payment. On the date of the amendment, management valued the embedded derivative asset under the previously effective terms and again under the revised terms, net of the value of warrants issued in connection with the amendment of the Wheaton SPA on August 5, 2020, and the difference of $14.8 million was credited against the exploration and evaluation assets balance. The embedded derivative asset was revalued on December 31, 2020 at $13.1 million. The valuations of the embedded derivative asset during the year required management to make estimates and judgments. Management determined the fair values of the embedded derivative asset using a discounted future cash flow dynamic valuation model. The significant assumptions used by management to value the embedded derivative asset were the Company's credit spread, Wheaton's credit spread, risk-free yield curve, silver price forward curve, historical silver price volatility, mineral reserves and resources and the production profile. Management estimates the production profile and mineral reserves and resources based on information compiled and reviewed by management's experts.

The principal considerations for our determination that performing procedures relating to the valuations of the embedded derivative asset is a critical audit matter are (i) the significant judgments by management to determine the fair values of this embedded derivative asset, which included significant assumptions related to the Company's credit spread, Wheaton's credit spread, risk-free yield curve, silver price forward curve, historical silver price volatility, mineral reserves and resources and the production profile; (ii) management's experts compiled and reviewed information used to estimate the production profile and mineral reserves and resources; and (iii) a high degree of auditor subjectivity and judgment to evaluate the audit evidence obtained related to the valuation, and (iv) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the determination of the fair values of this embedded derivative asset. These procedures also included, among others, (i) the involvement of professionals with specialized skill and knowledge to assist in developing an independent range of possible valuations for the embedded derivative asset based on independent assumptions of the Company's credit spread, Wheaton's credit spread, risk-free yield curve, silver price forward curve and historical silver price volatility obtained from external market data, and (ii) comparing the independent estimate to management's estimate to evaluate the reasonableness of management's estimate. Developing the independent estimate also involved (i) testing the completeness and accuracy of data provided by management, and (ii) evaluating management's assumptions related to the production profile and mineral reserves and resources. The work of management's experts was used in performing the procedures to evaluate the reasonableness of the production profile and mineral reserves and resources. As a basis for using this work, the experts' qualifications were understood and the Company's relationship with the specialists was assessed. The procedures performed also included evaluation of the methods and assumptions used by the experts, tests of the data used by the experts, and an evaluation of the experts' findings.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, Canada
March 11, 2021

We have served as the Company's auditor since 2005.

ALEXCO RESOURCE CORP.
CONSOLIDATED BALANCE SHEETS
(expressed in thousands of Canadian dollars)

	Note	December 31 2020	December 31 2019
ASSETS			
Current Assets			
Cash and cash equivalents	7	$ 23,742	$ 6,841
Accounts and other receivables		1,883	6,534
Investments	8	-	405
Inventories	9	4,243	1,285
Prepaid expenses and other		1,114	652
		30,982	15,717
Non-Current Assets			
Restricted cash and deposits		2,932	2,777
Promissory note receivable	6	1,250	-
Investments	8	4,241	924
Inventories	9	-	4,282
Mineral properties, plant and equipment	10	119,188	105,555
Embedded derivative asset	11	13,074	15,160
Other assets		-	938
Total Assets		$ 171,667	$ 145,353
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	12	$ 12,311	$ 5,143
Lease liabilities	13	2,855	406
Other current liabilities		220	1,167
		15,386	6,716
Non-Current Liabilities			
Lease liabilities	13	4,407	1,040
Decommissioning and rehabilitation provision	14	6,542	6,202
Deferred income tax liabilities	19	-	4,725
Total Liabilities		26,335	18,683
Shareholders' Equity		145,332	126,670
Total Liabilities and Shareholders' Equity		$ 171,667	$ 145,353
Commitments	25		
Subsequent Events	26		

APPROVED ON BEHALF OF
THE BOARD OF DIRECTORS

"Terry Krepiakevich"	***"Elaine Sanders"***
(signed)	*(signed)*
Director	**Director**

ALEXCO RESOURCE CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(expressed in thousands of Canadian dollars, except per share and share amounts)

	Note	For the years ended December 31 2020	2019
Revenues			
Reclamation management revenue		2,866	2,364
Cost of Sales			
Reclamation management costs		3,300	2,564
Total Gross Loss		(434)	(200)
Expenses			
General and administrative expenses	16	9,615	9,666
Mine site maintenance	17	9,511	2,062
Write-down of inventories	9	2,773	-
		21,899	11,728
Operating Loss		(22,333)	(11,928)
Other Income (Expenses)			
Other expenses	8,18	(26)	(451)
Gain (loss) on embedded derivative asset	11	(21,728)	5,489
Loss Before Taxes		(44,087)	(6,890)
Income Tax Provision (Recovery)			
Deferred	19	(5,517)	809
Net Loss from Continued Operations		(38,570)	(7,699)
Discontinued Operations			
Income (loss) net of tax from discontinued operations	6	7,336	(1,216)
Net Loss		(31,234)	(8,915)
Other Comprehensive Income			
Gain on FVTOCI investments, net of tax		2,020	547
Items that may be reclassified subsequently to net loss			
Cumulative translation adjustments, net of tax		-	(113)
Other Comprehensive Income		2,020	434
Total Comprehensive Loss		$ (29,214)	$ (8,481)
Basic and diluted loss per common share		$ (0.24)	$ (0.08)
Weighted average number of common shares outstanding		129,551,797	114,158,813

ALEXCO RESOURCE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in thousands of Canadian dollars)

	For the years ended December 31 2020	2019
Cash flows used in operating activities		
Net loss from continuing operations	$ (38,570)	$ (7,699)
Items not affecting cash from operations:		
Reclamation management contract loss provision	122	43
Depreciation of plant and equipment and ROU assets	1,563	1,635
Amortization of intangible assets	3	8
Share-based compensation expense	3,739	4,075
Finance costs, foreign exchange and other	523	(70)
Embedded derivative asset loss (gain)	21,728	(5,489)
Unrealized (gain) loss on investments	(169)	3
Write-down of inventory	2,773	-
Deferred income tax (recovery) provision	(5,517)	809
Changes in non-cash working capital balances related to operations		
(Increase) decrease in accounts and other receivables	(2,720)	(441)
(Decrease) increase in inventories	(1,247)	18
(Increase) decrease in prepaid expenses and other assets	(1,278)	359
Decrease (increase) in deferred revenue	(90)	(54)
(Decrease) increase in accounts payable, lease and accrued liabilities	3,020	1,106
Cash used in operating activities from continuing operations	(16,120)	(5,697)
Cash (used in) from operating activities from discontinued operations	417	(1,522)
Cash used in operating activities	(15,703)	(7,219)
Cash flows (used in) from investing activities		
Expenditures on mineral properties, plant and equipment	(16,974)	(6,647)
Increase in restricted cash	(216)	(12)
Proceeds from sale of discontinued operations	12,100	-
Investment in joint venture	-	-
Purchase of investments	(238)	(28)
Cash used in investing activities from continuing operations	(5,328)	(6,687)
Cash used in investing activities from discontinued operations	(40)	(1,440)
Cash used in investing activities	(5,368)	(8,127)
Cash flows from (used in) financing activities		
Proceeds from issuance of shares	38,640	12,135
Issuance costs	(2,554)	(1,379)
Repayment of lease liabilities	(1,224)	(217)
Proceeds from exercise of warrants	-	2,687
Proceeds from exercise of stock options	2,813	767
Cash from financing activities from continuing operations	37,675	13,993
Cash used in financing activities from discontinued operations	(40)	(382)
Cash from financing activities	37,635	13,611
Increase (decrease) in Cash and Cash Equivalents	16,564	(1,735)
Change of Cash of Discontinued Operations	337	(3,344)
Cash and Cash Equivalents - Beginning of Year	6,841	8,576
Cash and Cash Equivalents - End of Year	$ 23,742	$ 6,841

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

ALEXCO RESOURCE CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(expressed in thousands of Canadian dollars)

	Common Shares							
	Number of Shares	Amount	Warrants	Share Options, DSU's and RSU's	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance - December 31, 2019	**119,150,667**	**$ 229,112**	**$ 1,560**	**$ 8,645**	**$ 19,348**	**$ (130,713)**	**$ (1,282)**	**$ 126,670**
Net loss	-	-	-	-	-	(31,234)	-	(31,234)
Other comprehensive income	-	-	-	-	-	-	2,020	2,020
Share-based compensation expense recognized	-	-	-	4,172	-	-	-	4,172
Wheaton warrants	-	-	4,800	-	-	-	-	4,800
Equity Offering, net of issuance costs	15,656,675	36,090	-	-	-	-	-	36,090
Exercise of share options	2,217,499	4,254	-	(1,440)	-	-	-	2,814
Share options forfeited or expired	-	-	-	(1)	1	-	-	-
Release of RSU/DSU settlement shares	467,327	975	-	(975)	-	-	-	-
Balance - December 31, 2020	**137,492,168**	**$ 270,431**	**$ 6,360**	**$ 10,401**	**$ 19,349**	**$ (161,947)**	**$ 738**	**$ 145,332**
Balance - December 31, 2018	**107,998,902**	**$ 212,903**	**$ 2,494**	**$ 5,841**	**$ 18,906**	**$ (121,798)**	**$ (1,716)**	**$ 116,630**
Net loss	-	-	-	-	-	(8,915)	-	(8,915)
Other comprehensive income	-	-	-	-	-	-	434	434
Share-based compensation expense recognized	-	-	-	4,470	-	-	-	4,470
Credit Facility fee - shares	171,480	211	-	-	-	-	-	211
Equity Offering, net of issuance costs	8,342,200	10,283	105	-	-	-	-	10,388
Exercise of share options	852,500	1,149	-	(384)	-	-	-	765
Exercise of warrants	1,315,266	3,726	(1,039)	-	-	-	-	2,687
Share options forfeited or expired	-	-	-	(442)	442	-	-	-
Release of RSU settlement shares	470,319	840	-	(840)	-	-	-	-
Balance - December 31, 2019	**119,150,667**	**$ 229,112**	**$ 1,560**	**$ 8,645**	**$ 19,348**	**$ (130,713)**	**$ (1,282)**	**$ 126,670**

1. DESCRIPTION OF BUSINESS, NATURE OF OPERATIONS AND COVID-19 IMPACTS

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 is principally engaged in the exploration, development, and operation of mineral resource properties. The Corporation's mineral resource properties are located in the Keno Hill Silver District in the Yukon Territory of Canada.

On February 14, 2020 the Corporation completed the sale, through a share purchase agreement (the "AEG Sale Agreement"), of the Alexco Environmental Group ("AEG"). AEG (now doing business as Ensero Solutions, Inc.) was a wholly owned subsidiary, operating an environmental services business since the Corporation's inception. AEG provided 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 6).

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.

COVID-19 Impacts

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are far-reaching. To date there has been significant stock market volatility, significant volatility in commodity and foreign exchange markets and restrictions on the conduct of business in many jurisdictions and the global movement of people. There is significant ongoing uncertainty surrounding COVID-19 and the extent of the impacts that it may have on the Corporation's ability to develop and bring its properties into production. There is also uncertainty related to liquidity if the Corporation or its suppliers or customers are not able to maintain operations.

During the year, the Corporation has made efforts to safeguard the health of its employees and the communities within which we operate, while continuing to operate safely and maintaining essential business activity. To support public health efforts in the Yukon, and in consideration of the uncertainty caused by the COVID-19 pandemic, the Corporation suspended underground development of the Bermingham and Flame & Moth deposits at Keno Hill from March to July 2020. Development activities at these deposits have since resumed however in early November 2020, the Yukon Government reinstated mandatory isolation requirements for anyone entering the Yukon. This requirement has caused additional delays in capital development activity while new alternative isolation plans were developed and subsequently approved by the Yukon regulators and health officials. The extended time period to develop and implement the new self-isolation plan resulted in the Corporation focusing its reduced underground workforce and resources on the Bermingham deposit while temporarily idling the development at Flame & Moth, which subsequently resumed in early February. The Company notes that COVID-19 pandemic risk and its impact on development remains the foremost risk to schedule and scale-up activities at Keno Hill.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and were approved for issue by the Board of Directors on March 11, 2021.

These consolidated financial statements have been prepared under the historical cost method, except for those assets and liabilities that are measured at revalued amounts or fair values at the end of each reporting period. All figures are expressed in Canadian dollars unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

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

The following subsidiaries have been consolidated for all dates presented within these financial statements, and are wholly owned: Alexco Keno Hill Mining Corp. ("AKHM"), Elsa Reclamation & Development Corporation Ltd. ("ERDC"), and Alexco Exploration Canada Corp. ("AECC"). All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

The following subsidiaries were consolidated up until February 14, 2020, when the sale of AEG was completed (Note 6), within these financial statements, and were wholly owned: Alexco Environmental Group Inc., Alexco Environmental Group Holdings Inc., Alexco Water and Environment Inc. and Contango Strategies Ltd. All significant inter-company transactions, balances, income and expenses were eliminated on consolidation.

(b) Cash and Cash Equivalents

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

(c) Inventories

Inventories include ore in stockpiles on the surface and underground, concentrate and materials and supplies. Ore in stockpiles and concentrate are recorded at the lower of weighted average cost and net realizable value. Cost comprises all mining and processing costs incurred, including labor, materials and supplies, production-related overheads, depreciation of production-related plant and equipment and depletion of related mineral properties. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and future metal prices less estimated future production costs to convert the inventories into saleable form and estimated costs to sell. Materials and supplies are valued at the lower of weighted average cost, based on landed cost of purchase, and net realizable value, net of a provision for obsolescence where applicable.

Any write-downs of inventories to net realizable value are recorded within the statement of loss. If there is a subsequent increase in the value of inventories, the previous write-downs to net realizable value are reversed to cost to the extent that the related inventories have not been sold.

(d) Mineral Properties, Plant and Equipment

Mineral properties

Mineral properties are recorded at cost on a property-by-property basis. The recorded cost of mineral properties is based on acquisition costs incurred to date, including capitalized exploration and evaluation costs and capitalized development costs, less depletion, recoveries and write-offs. Capitalized development costs include costs incurred to establish access to mineable reserves where such costs are expected to provide a long-term economic benefit.

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

Construction in progress

Construction in progress includes mineral properties, plant and equipment in the course of construction for the Corporation's own use. Costs recorded for assets under construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of mineral properties, plant and equipment. No depreciation is recorded until the assets are substantially complete and available for their intended use.

Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. The cost capitalized is determined by the purchase price or construction costs, the direct cost of bringing the asset to the condition necessary for operation, and the estimated future cost of decommissioning and removing the asset. Repairs and maintenance expenditures are charged to operations, while major improvements and replacements which extend the useful life of an asset are capitalized.

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

Heavy machinery and equipment	5 years straight-line
Buildings	20 years straight-line
Leasehold improvements & Other	Over the term of lease, and 2 – 5 years straight-line
Roads, Camp and other site infrastructure	5 -10 years straight-line
Ore-processing mill components	Variously between 5 and 30 years straight-line

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

Right of use ("ROU") assets

ROU assets are 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 recognition date. ROU assets are depreciated on a straight-line basis over the estimated useful life of the asset if the Corporation expects to take ownership of the asset at the end of the lease term, or over the lease term if the Corporation does not expect to take ownership of the asset at the end of the lease term. The lease term includes periods covered by an option to extend if the Corporation's intention is to exercise that option. ROU assets are periodically reduced by impairment losses, if any, and adjusted for re-measurements of the lease obligation.

Exploration and evaluation properties

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

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

The Corporation has elected to follow a policy of applying the proceeds received from the silver streaming arrangement with Wheaton Precious Metals ("Wheaton") explained further in Note 11 as a credit to the carrying value of the exploration and evaluation properties. Accordingly, the initial deposit has been applied as an offset against the mineral interest asset.

Exploration and evaluation assets are evaluated and may be classified as mineral properties upon achieving technical feasibility and determination of commercial viability. Upon reclassification, the assets are tested for impairment.

(e) Impairment

The carrying amounts of mineral properties, plant and equipment and exploration and evaluation properties are reviewed and evaluated for indications of impairment. If any such indication exists, an estimate of the recoverable amount is undertaken. If the recoverable amount is less than the carrying amount of the asset, an impairment loss is recognized and the asset is written down to recoverable value.

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

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

(f) Lease liabilities

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 of the asset or asset grouping is used. The lease 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.

(g) Provisions

General

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

Decommissioning and rehabilitation provision

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

(h) Revenue Recognition

Revenue from reclamation management through ERDC is recognized upon the transfer of promised services or goods based on the output appropriate to the particular service contract and when a customer has the ability to direct the use and obtain the benefits from the service or good. The Corporation identifies the performance obligations in the contract, and the obligations are measured by reference to the transaction price. The transaction price is established in the agreement as either a fixed price or rate per hour. If the contract has multiple performance obligations, the Corporation will assign the transaction price to the various performance obligations.

(i) Share-Based Compensation

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

(j) Flow-Through Shares

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

(k) Warrants

The Corporation issues common share purchase warrants which are recorded based on the estimated fair value at the issue date. Fair value is measured using the Black-Scholes option pricing model.

(l) Current and Deferred Income Taxes

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

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

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

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

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

(m) Translation of Foreign Currencies

The financial statements of each entity in the group are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The functional currency of all entities in the Corporation group is the Canadian dollar, which is also the Corporation's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of loss and comprehensive loss for the year.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss.

(n) Earnings or Loss Per Share

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

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

(o) Financial Instruments

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

The Corporation classifies the financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or at amortized cost.

(i) Classification

The Corporation determines the classification of financial instruments at initial recognition.

Financial assets

a) *Debt* - The classification of debt instruments is driven by the Corporation's business model for managing the financial assets and the relevant contractual cash flow characteristics. A debt instrument is measured at amortized cost if the objective of the business model is to hold the debt instrument for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest.

b) *Equity* - On the day of acquisition the Corporation makes an irrevocable election (on an instrument-by- instrument basis) to designate them as at FVTOCI. Investments in common shares are held for long term strategic purposes and not for trading. Our equity investments are designated as FVTOCI in order to provide a more meaningful presentation based on management's intention, rather than reflecting changes in fair value in net income.

Financial liabilities

Financial liabilities are measured at amortized cost; unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Corporation has opted to measure at FVTPL.

(ii) Measurement

Financial assets and liabilities at FVTPL

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss in the period in which they occur. Where the Corporation has opted to designate a financial liability at FVTPL, any changes associated with our own credit risk will be recognized in Other Comprehensive Income ("OCI").

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, the investments are measured at fair value, with gains and losses arising from changes from initial recognition recognized in OCI.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value net of transaction costs, and subsequently amortized and adjusted by any impairment.

Derivative financial instruments

Derivatives are classified as FVTPL.

Derivatives embedded in financial liabilities are treated as separate derivatives when their risks and characteristics are not closely related to the host contracts. However, the classification approach described above is applied to all financial assets, including those that contain embedded derivatives, without the need to separate the embedded derivative from the host contract.

(iii) Impairment of financial assets

Impairment of financial assets at amortized cost

The Corporation recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The Corporation is applying the simplified method for trade receivables and is calculating expected credit losses at an amount equal to the lifetime expected credit loss.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the expected credit losses are reversed after the impairment was recognized.

(iv) Derecognition

Derecognition of financial assets and liabilities

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition are recognized within other income (expenses). Gains or losses on equity financial assets designated as FVTOCI remain within accumulated OCI.

(v) Fair value of financial instruments

The fair values of quoted investments in an active market are based on current prices. If there is no active market with a quoted price for a financial asset, the Corporation establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the financial asset's specific circumstances.

(p) Fair Value Measurement

Where fair value is used to measure assets and liabilities in preparing these financial statements, it is estimated at the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair values are determined from the lowest level significant inputs that are classified within the fair value hierarchy defined under IFRS as follows:

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

(q) Discontinued Operations

Discontinued operations comprise a disposal group, which includes a group of assets and liabilities to be disposed of in a single transaction. A disposal group is measured at the lower of its carrying amount and its fair value less costs to sell. The Corporation will measure all assets and liabilities in the disposal group in accordance with applicable standards.

4. NEW ACCOUNTING STANDARDS

Property, Plant and Equipment — Proceeds before Intended Use

On May 14, 2020, the IASB issued a narrow scope amendment to *IAS 16, Property, Plant and Equipment: Proceeds before Intended Use*. The amendment prohibits deducting from the cost of mineral properties, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and the related cost of sales in profit or loss. The effective date of the amendment is for annual periods beginning on or after January 1, 2022, with early adoption permitted. The amendment must be applied retrospectively, but only to items of mineral properties, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the consolidated financial statements in which the amendment is first applied.

The Corporation is considering the impact of this amendment as the Corporation expects in future periods to receive proceeds from the sale of concentrate, prior to its mineral properties, plant and equipment being ready for its intended use.

There are no other IFRS's or International Financial Reporting Interpretations Committee interpretations that are not yet effective or early adopted that are expected to have a material impact on the Corporation.

Leases

The Corporation adopted IFRS 16 Leases ("IFRS 16") effective January 1, 2019 using the modified retrospective approach. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize a ROU asset and a lease obligation at the lease commencement date. On initial adoption, the Corporation recorded ROU assets of $1,883,000 within property, plant and equipment, measured at an amount equal to the lease liability.

5. CRITICAL JUDGEMENTS AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements requires management to select accounting policies and make estimates and judgments that may have a significant impact on the consolidated financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. The estimates management makes in this regard include those regarding future commodity prices and foreign currency exchange rates, which are an important component of several estimates and assumptions management must make in preparing the financial statements.

The most significant judgments in the application of policy in preparing the Corporation's financial statements are described as follows:

- *Determination of technical feasibility and commercial viability of the Bermingham and Flame & Moth properties*

  Management's judgement is required in applying the Corporation's accounting policy for exploration and evaluation properties to determine when the technical feasibility and commercial viability of each property is demonstrable. Management considered the completed pre-feasibility study ("PFS"), receipt of all necessary permits, the finalized Wheaton Precious Metals ("Wheaton") stream amendment, and the completed development financing and concluded that the technical feasibility and commercial viability of the Flame & Moth and Bermingham properties had been confirmed as at August 5, 2020.

- *Impairment and impairment reversals of mineral properties, plant and equipment*

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

  On August 5, 2020, the Bermingham and Flame & Moth properties were determined to be technically feasible and commercially viable and accordingly, an impairment assessment was required at that date (Note 10). At December 31, 2020, Management assessed potential indicators of impairment and impairment reversals on the Corporation's mineral properties, plant and equipment and has concluded that no other impairment or impairment reversal indicators exist as of December 31, 2020.

- *Mineral properties - silver stream arrangement*

  Upon entering into a long-term streaming arrangement linked to production at Keno Hill, Management's judgment was required in assessing the appropriate accounting treatment for the transaction on the closing date and in future periods. We considered the specific terms of the arrangement to determine whether we have disposed of an interest in the reserves and resources of the operation or executed some other form of arrangement. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation. These include the contractual terms related to the total production over the life of the arrangement as compared to the expected production over the life of the mine, the percentage being sold, the percentage of payable metals produced, the commodity price referred to in the ongoing payment and any guarantee relating to the upfront payment if production ceases. Management concluded that the initial deposit and value associated with the subsequent amendments should be applied against the carrying value of the mineral interest.

- *Discontinued operation - AEG*

  Management's judgment was applied in assessing whether the sale of Alexco's subsidiary environmental business, AEG, met the criteria to be treated as a discontinued operation. Considerations included: whether there were separately identifiable operations from the remaining operations of the Corporation, and whether there were distinguishable cash. Management also noted, aside from reclamation management services provided by ERDC, 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.

The following discusses the accounting estimates that the Company has made in the preparation of the financial statements that could result in a material adjustment in the next twelve months on the carrying amounts of assets and liabilities:

- *Keno Hill cash generating unit ("CGU") impairment assessment*

  On August 5, 2020, the Bermingham and Flame & Moth properties were determined to be technically feasible and commercially viable and accordingly, an impairment assessment was required at that date (Note 10). As these assets do not generate cash flows that are independent from other assets at Keno Hill, the recoverable amount of the CGU to which these assets belong is determined, with a CGU being the smallest identifiable group of assets and liabilities that generate cash inflows independent from other assets.

  Management determined that the Keno Hill CGU included the assets and liabilities related to the Bellekeno, Flame & Moth, Bermingham and Lucky Queen properties, which are in the current mine plan at Keno Hill.

  The recoverable amount was determined by management based on the fair value less costs of disposal ("FVLCD") method using discounted future cash flows. In arriving at FVLCD, discounted cash flows were estimated using significant assumptions related to commodity prices, foreign currency exchange rates, mineral reserves and resources, production profile, operating costs, capital costs and discount rate. Management estimates production profile, operating and capital costs and mineral reserves and resources based on information compiled and reviewed by management's experts.

  Management's assessed FVLCD exceeded the carrying amount of the Keno Hill CGU and as a result, no impairment loss was recognized in the consolidated statement of loss and comprehensive loss.

- *Mineral reserves and resources*

  The determination of the Corporation's estimated mineral reserves and resources by appropriately qualified persons requires significant judgements regarding the interpretation of complex geological and engineering data including the size, depth, shape and nature of the deposit and anticipated plans for mining, as well as estimates of future commodity prices, foreign exchange rates, capital requirements and production costs. These mineral reserve and resource estimates are used in many determinations required to prepare the Corporation's financial statements, including evaluating the recoverability of the carrying amount of its mineral properties, plant and equipment, embedded derivative and estimating amounts of future taxable income in determining whether to record a deferred tax asset.

- *Decommissioning and rehabilitation provision*

  Management's determination of the Corporation's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required, the additional contingent mitigation measures it identifies as potentially being required and its assessment of the likelihood of such contingent measures being required, and its estimate of the probable costs and timing of such activities and measures. There is estimation uncertainty in determining such reclamation and closure activities and measures required and potentially required.

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

- *Fair value of derivatives*

  The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. Management uses its judgment to select a method of valuation and makes estimates of specific model inputs that are based on conditions existing at the end of each reporting period. Refer to Note 11 for further details on the methods and assumptions associated with the measurement of the embedded derivative within the silver stream arrangement.

- *Valuation of inventories*

  The measurement of inventories including the determination of their net realizable value, especially as it relates to ore in stockpiles involves the use of estimates. Management makes estimates of forecast sales price, foreign exchange rates, recovery rates, grade, assumed contained metal in stockpiles and concentrate inventories and production and selling costs. The determination of these estimates requires significant assumptions that may impact the stated value of our inventories (Note 9).

6. DISPOSITION OF SUBSIDIARY BUSINESS, AEG

On February 14, 2020 the Corporation completed the sale of AEG through the AEG Sale Agreement to AEG's executive management. AEG had been a wholly owned subsidiary, operating an environmental services business since the Corporation's inception. As a result, ERDC is the sole subsidiary entity performing environmental management services and is specifically and contractually 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 cash flows 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 maturity date was subsequently amended on January 18, 2021 and the receivable now matures on June 30, 2022, bearing interest of 5% for the duration of this period.

The net income (loss) reported in discontinued operations for the years ended December 31, 2020 and 2019 is presented as follows:

		2020		2019
Environmental services revenue	$	2,020	$	26,842
Environmental services costs		(1,237)		(20,566)
General and administrative and other expenses		(1,263)		(7,481)
Deferred tax expense attributed to discontinued operations		(214)		(11)
Gain on sale of discontinued operations		8,030		-
Income (loss) after tax from discontinued operations	$	7,336	$	(1,216)
Basic and diluted income (loss) per common share from discontinued operations	$	0.06	$	(0.01)

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

7. CASH AND CASH EQUIVALENTS

	December 31 2020	December 31 2019
Cash	$ 23,210	$ 6,313
Short-term bank deposits	532	528
	$ 23,742	$ 6,841

8. INVESTMENTS

	December 31 2020	December 31 2019
Common shares held	$ 4,241	$ 1,289
Warrants held	-	40
Total investments	4,241	1,329
Less: current investments	-	405
Non-current investments	$ 4,241	$ 924

As at December 31, 2020, the Corporation held 14,917,466 common shares of Banyan Gold Corp. (“Banyan”), a publicly traded company on the TSX Venture Exchange (December 31, 2019 – 11,136,644).

During the year ended December 31, 2020, the Corporation recorded a pre-tax gain (loss) on investments on warrants of $169,000 (2019 – $(3,000)) which were primarily attributed to the Banyan warrants. The Corporation also recorded in other comprehensive income a realized pre-tax gain on the sale of Golden Predator shares in the amount of $68,000 (2019 - $nil) and a fair value gain adjustment on common shares held primarily in Banyan, net of tax of $1,924,000 (2019 – $547,000).

9. INVENTORIES

	December 31 2020	December 31 2019
Ore in stockpiles	$ 2,317	$ 4,647
Concentrate	231	-
Materials and supplies	1,695	920
Total inventories	4,243	5,567
Less: current inventories	4,243	1,285
Non-current inventories	$ -	$ 4,282

During the year ended December 31, 2020, the Corporation recognized a write-down of non-current ore in stockpiles relating to previously recognized ore at Bellekeno totalling $2,773,000 (2019 – nil).

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

10. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Cost	Mineral properties	Plant and equipment(i)	Right of use assets	Exploration and evaluation assets(ii)	Total
December 31, 2019	$ 100,073	$ 42,364	$ 1,883	$ 79,893	$ 224,213
Additions	17,488	6,341	8,272	737	32,838
Disposals	-	(235)	-	-	(235)
Disposal of AEG	-	(2,639)	(276)	-	(2,915)
Amendment to Wheaton Silver Purchase Agreement	-	-	-	(14,835)	(14,835)
Change of estimate in decommission provision	159	147	-	-	306
Transfers from exploration and evaluation assets to mineral properties(ii)	51,127	-	-	(51,127)	-
December 31, 2020	$ 168,847	$ 45,978	$ 9,879	$ 14,668	$ 239,372
Accumulated Depreciation					
December 31, 2019	$ 90,459	$ 27,666	$ 533	$ -	$ 118,658
Depreciation and depletion	397	1,786	884	-	3,067
Disposals	-	(117)	-	-	(117)
Disposal of AEG	-	(1,374)	(50)	-	(1,424)
December 31, 2020	$ 90,856	$ 27,961	$ 1,367	$ -	$ 120,184
Net Book Value					
December 31, 2019	$ 9,614	$ 14,698	$ 1,350	$ 79,893	$ 105,555
December 31, 2020	$ 77,991	$ 18,017	$ 8,512	$ 14,668	$ 119,188

(i) The total cost of plant and equipment as at December 31, 2020 includes construction in progress of approximately $3,543,000.

(ii) On August 5, 2020, the Bermingham and Flame & Moth properties were determined to be technically feasible and commercially viable, and thus transitioned from exploration and evaluation assets under IFRS 6 to mineral properties under IAS 16.

During the year ended December 31, 2020, the Corporation recorded total depreciation and depletion of mineral properties, plant and equipment of $3,067,000 (2019 – $1,972,000).

Depreciation of $1,708,000 (2019 – $1,647,000) has been recorded to the statements of loss and comprehensive loss, of which $74,000 (2019 – $79,000) was recorded in environmental services cost of sales and $1,634,000 (2019 – $1,568,000) was recorded to general expenses and mine site care and maintenance.

Depreciation of $923,000 (2019 – $325,000) was related to plant and equipment and right of use assets used in exploration and development activities and has been capitalized to mineral properties, plant and equipment. Depreciation of $39,000 (2019 - $nil) was allocated to ore in stockpile inventories. Depletion of mineral properties of $397,000 (2019 - $nil) was allocated to ore in stockpile inventories.

(a) Keno Hill District Underlying Agreements

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

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

Other Subsidiary Agreement terms unchanged by the amended and restated Subsidiary Agreement ("ARSA") include that ERDC is required to pay into a separate reclamation trust a 1.5% net smelter return royalty, to an aggregate maximum of $4 million for all production units, from any future production from the former UKHM mineral rights, commencing once earnings from mining before interest, taxes and depreciation exceed actual exploration costs, to a maximum of $6.2 million, plus actual development and construction capital. That commencement threshold was achieved during the year ended December 31, 2013, and as at December 31, 2020 a total of $40,000 in such royalties had been paid. Additionally, a portion of any future proceeds from sales of the acquired UKHM assets must also be paid into the separate reclamation trust. Also substantially unchanged by the ARSA are the indemnification of pre-existing conditions and the right to bring any mine into production on the former UKHM mineral rights. The rights of the Government of Canada under the Subsidiary Agreement and the ARSA are supported by a general security agreement over all of the assets of ERDC.

As part of the ARSA, in 2006 the Corporation contributed $10,000,000 to a Trust which can be drawn upon to reimburse the Corporation for work performed under the ARSA, subject to approvals according to the contractual terms.

The ARSA can be terminated at ERDC's election should a closure reclamation plan be prepared but not accepted and approved, and at the Government's election should ERDC be declared in default under the ARSA. As at December 31, 2020, ERDC is in good standing under the terms and conditions of ARSA.

Keno Hill Royalty Encumbrances

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

Option Agreement for McQuesten Property

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 ($2,973,000 incurred to December 31, 2020), issue 1,600,000 shares (1,600,000 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 December 31, 2020, Banyan has satisfied the first stage of the option agreement, earning 51% of the McQuesten property.

(b) Mining Operations at Keno Hill

On June 24, 2020 the Corporation announced that it received a draft amended and renewed water use licence for the Keno Hill District from the Yukon Water Board, that it entered into a non-binding term sheet to beneficially amend its silver purchase streaming agreement with Wheaton Precious Metals Corp., and also an equity financing to underwrite capital development costs to move Keno Hill to production.

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

On August 5, 2020, upon receipt of the final amended and renewed water use licence, amendment of the silver purchase streaming agreement, and closing of the necessary financing, the Bermingham and Flame & Moth properties were determined to be technically feasible and commercially viable, and thus transitioned from exploration and evaluation assets under IFRS 6 to mineral properties, plant and equipment under IAS 16.

At the time of the transition, an impairment assessment was completed as required by IFRS 6. As these assets do not generate cash flows that are independent from other assets, the recoverable amount is based on their cash-generating unit; an asset's cash generating unit is the smallest group of assets that includes the asset and generates cash inflows largely independent of the cash inflows from other assets or groups of assets. Identification of an asset's cash-generating unit involves judgement. If recoverable amount cannot be determined for an individual asset, an entity identifies the lowest aggregation of assets that generate largely independent cash inflows. Management estimated and used judgement in the determination of key assumptions related to commodity prices, foreign currency exchange rates, mineral reserves and resources, production profile, operating costs, capital costs and discount rate. Key assumptions used in determining the recoverable amount were silver prices ranging from USD $17.33 to USD $18.76 per ounce and a discount rate of 8%. In isolation, a 5% decrease in silver prices would result in a reduction of the recoverable amount of approximately $12,909,000 and an increase of 1% in the discount rate would result in a reduction of the recoverable amount of approximately $6,111,000. Management determined that the Keno Hill CGU included the assets and liabilities related to the Bellekeno, Flame & Moth, Bermingham and Lucky Queen properties, which are in the current mine plan and will be processed through the Keno Hill District Mill.

Management's assessed FVLCD exceeded the carrying amount of the Keno Hill CGU and as a result, no impairment loss was recognized in the consolidated statement of loss and comprehensive loss.

On November 24, 2020, the Corporation announced commissioning of the Keno Hill District Mill, resulting in production of silver, lead and zinc concentrate from mining operations at Keno Hill. The Keno Hill District Mill, Bermingham and Flame & Moth properties remain in development as at December 31, 2020. During the year ended December 31, 2020, there were no concentrate sales.

11. EMBEDDED DERIVATIVE ASSET

	December 31 2020	December 31 2019
Embedded derivative asset – Beginning of period	$ 15,160	$ 9,671
Fair value adjustment	(21,728)	5,489
Amendment to Wheaton Silver Purchase Agreement	19,642	-
Embedded derivative asset – End of period	13,074	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 sold by the Corporation from its Keno Hill 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 (the "Original Production Payment"). 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.

Subsequently on March 29, 2017 and August 5, 2020, the Corporation and Wheaton amended the SPA (the "Amended SPA"), which ultimately culminated in Wheaton continuing to receive 25% of the life of mine payable silver from the Keno Hill Silver District and the Original Production Payment replaced with a new production payment to the Corporation to be based on a new payment formula (the "Amended Production Payment") as outlined below:

- During the earlier of the initial two years ending August 4, 2022 or eight million ounces of payable silver production (the "Initial Period"), the Amended Production Payment from Wheaton to the Corporation will be adjusted on a curve. The Amended Production Payment formula during the Initial Period is a linear equation that pays 90% of spot price at US$15 per ounce silver (and below) and 10% of spot price at US$23 per ounce silver (and above); and

- Following the Initial Period, the Amended Production Payment formula remains a linear equation and will pay 90% of spot price at US$13 per ounce silver (and below) and 10% of spot price at US$23 per ounce silver (and above).

Additional terms of the amendments include a date for completion of the 400 tonne per day mine and mill completion test 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 March 29, 2017 amendment, on April 10, 2017 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. This amendment introduced the variable production payment to be received from Wheaton upon extraction and delivery of their 25% interest of future production is considered an embedded derivative asset within the Amended SPA. The embedded derivative asset was initially recorded at fair value, which was consistent with the value of the consideration paid to Wheaton and subsequently revalued at each period end.

On August 5, 2020 the Corporation issued 2,000,000 common share purchase warrants (the "Wheaton Warrants") to Wheaton, which partially compensated for amending the terms of the SPA. Each Wheaton Warrant entitles Wheaton to purchase one common share of the Corporation at an exercise price of $3.50, expiring August 5, 2025, with a fair value of $4,806,000 (US$3,624,000).

Management has concluded that the Amended SPA on August 5, 2020 was additional consideration received from Wheaton in order to preserve the long-term commercial viability of Keno Hill District properties and realize their 25% interest. On the date of the amendment, management valued the embedded derivative asset under the previously effective terms and again under the revised terms, and the gain to the Corporation, net of the warrants issued, of $14,835,000 was credited against the exploration and evaluation assets balance.

During the year ended December 31, 2020, the change in fair value of the embedded derivative asset related to the Wheaton Silver Purchase Agreement resulted in a fair value adjustment of $(21,728,000) (2019 – $5,489,000). The embedded derivative asset 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 Amended Production Payment under the Amended SPA which varies depending on the silver pricing curve. The model currently relies upon inputs from the current mine plan, and considers payable ounces delivered. The model is updated quarterly for the Corporation's credit spread, Wheaton's credit spread, risk-free yield curve, silver price forward curve, historical silver price volatility, mineral reserves and resources and the production profile.

Based on assumptions used in the dynamic valuation model, the value of the derivative asset as at December 31, 2020 is $13,074,000. If, for example, silver prices were to decline from the current spot and forward prices as at December 31, 2020 to US$13 per ounce and all other assumptions remained the same, the approximate derivative asset value would be $39,945,000. Similarly, if the silver price was to increase to US$30 per ounce and all other assumptions remained the same, the approximate derivative asset value would be $10,352,000. The impacts of these changes in the embedded derivative asset value on the balance sheet are recorded through other income (expenses) on the consolidated statements of loss and comprehensive loss. The inputs that have had the greatest influence on the dynamic valuation model to date include the Corporation's credit spread, Wheaton's credit spread, risk-free yield curve, silver price forward curve, historical silver price volatility, mineral reserves and resources and the production profile.

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

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2020	December 31 2019
Trade payables	$ 7,666	$ 2,450
Accrued liabilities and other	4,645	2,693
	$ 12,311	$ 5,143

13. LEASE LIABILITIES

As at December 31, 2020, the Corporation had $7,262,000 of lease liabilities primarily for mining equipment leases for heavy machinery and equipment related to development operations at Keno Hill. The weighted average incremental borrowing rate for lease liabilities as at December 31, 2020 is 7.48%.

	December 31 2020	December 31 2019
Lease liabilities – Beginning of period	$ 1,446	$ 1,883
Additions	7,081	-
Cash flows – Principal payments	(1,246)	(599)
Non-cash changes – Accretion	292	162
Disposals	(311)	-
Lease liabilities – End of period	7,262	1,446
Less: current lease liabilities	2,855	406
Non-current lease liabilities	$ 4,407	$ 1,040

Undiscounted lease payments

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

	December 31 2020
2021	$ 3,298
2022	2,692
2023	1,360
2024	717
	$ 8,067

14. DECOMMISSIONING AND REHABILITATION PROVISION

	December 31 2020	December 31 2019
Decommissioning and rehabilitation provision – Beginning of period	$ 6,202	$ 5,286
Increase due to re-estimation	305	853
Accretion expense, included in finance costs	35	63
Decommissioning and rehabilitation provision – End of period	$ 6,542	$ 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, Bermingham, Lucky Queen and Onek deposits. These activities include plant dismantling, 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 $7,322,000 (December 31, 2019 – $7,464,000), with the expenditures expected to be incurred substantially over the course of the next 19 years. In determining the carrying value of the decommissioning and rehabilitation provision as at December 31, 2020, the Corporation has used a risk-free discount rate of 1.02% (December 31, 2019 – 1.65%) and an inflation rate of 2.0% (December 31, 2019 – 2.0%) resulting in a discounted amount of $6,542,000 (December 31, 2019 – $6,138,000).

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 year ended December 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. The Corporation incurred share issuance costs of $898,000.
2. On July 7, 2020, the Corporation completed a public offering and issued 10,994,000 common shares at a price of $2.73 per share for aggregate gross proceeds of $30,013,620. The Corporation incurred share issuance costs of $1,650,000.
3. 442,327 common shares were issued from treasury on the vesting of restricted share units ("RSUs").
4. 25,000 common shares were issued from treasury on the vesting of deferred share units ("DSUs").
5. 2,217,499 options were exercised for proceeds of $2,813,000.

In consideration of the August 5, 2020 amendment to the Wheaton silver purchase agreement, the Corporation issued 2,000,000 common share purchase warrants to Wheaton, whereby each warrant entitles Wheaton to purchase one common share of the Corporation at an exercise price of $3.50, expiring August 5, 2025, with a fair value of $4,806,000. The fair value of the warrants were estimated using the Black-Scholes warrant pricing model, assuming an average risk-free rate of 0.30% per annum, an expected life of warrants of 5 years, an expected volatility of 68% based on historical volatility, an expected forfeiture rate of 0% and no expected dividends. As at December 31, 2020, nil common share purchase warrants have been exercised.

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

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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 December 31, 2020, a total of 10,245,934 stock options, 566,340 RSUs and 528,000 DSUs were outstanding under the Equity Incentive Plans and a total of 3,503,282 stock options, 3,558,422 RSUs and 1,572,000 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	$ 3.07	2,003,200	-
Share-based compensation expense	-	-	3,361
Options exercised	$ 1.28	(2,217,499)	(1,440)
Options forfeited or expired	$ 0.60	(5,000)	(1)
Balance – December 31, 2020	$ 2.17	10,245,934	$ 10,071
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 year ended December 31, 2020, the 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 0.32% to 0.41% (2019 – 1.65% to 1.86%) per annum, an expected life of options of 4 years (2019 – 4 years), an expected volatility of 66% to 68% based on historical volatility (2019 – 71%), an expected forfeiture rate of 0.50% (2019 – 2%) and no expected dividends (2019 – nil).

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Incentive share options outstanding and exercisable at December 31, 2020 are summarized as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Shares Issuable on Exercise	Average Remaining Life (Years)	Average Exercise Price	Number of Shares Issuable on Exercise	Average Exercise Price
$0.84	520,000	0.12	$ 0.84	520,000	$ 0.84
$1.27	1,488,750	3.01	$ 1.27	1,488,750	$ 1.27
$1.27	325,000	1.01	$ 1.27	-	$ 1.27
$1.73	400,000	0.44	$ 1.73	400,000	$ 1.73
$1.75	40,000	1.63	$ 1.75	40,000	$ 1.75
$1.76	50,000	3.24	$ 1.76	50,000	$ 1.76
$1.78	150,000	0.49	$ 1.78	150,000	$ 1.78
$1.93	60,000	2.36	$ 1.93	60,000	$ 1.93
$2.07	1,512,000	2.08	$ 2.07	1,512,000	$ 2.07
$2.07	587,000	3.08	$ 2.07	-	$ 2.07
$2.12	194,500	4.29	$ 2.12	64,833	$ 2.12
$2.32	1,209,000	1.09	$ 2.32	1,209,000	$ 2.32
$2.61	1,959,984	3.96	$ 2.61	1,306,656	$ 2.61
$3.19	1,699,700	4.96	$ 3.19	566,567	$ 3.19
$3.86	50,000	4.69	$ 3.86	16,667	$ 3.86
	10,245,934	2.77	$ 2.17	7,384,473	$ 2.02

The weighted average share price at the date of exercise for options exercised during the year ended December 31, 2020 was $3.38 (2019 - $2.51).

During the year ended December 31, 2020, the Corporation recorded total share-based compensation expense of $2,490,000 (2019 – $2,776,000), which related to incentive share options, of which $430,000 (2019 – $395,000) was recorded to mineral properties and $2,060,000 (2019 – $2,381,000) has been charged to income.

<u>Restricted Share Units</u>

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

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The changes in RSUs outstanding are summarized as follows:

	Number of shares issued or issuable on vesting		Amount
Balance – December 31, 2019	663,670	$	494
RSUs granted	345,000		-
Share-based compensation expense recognized	-		810
RSUs vested	(442,330)		(910)
Balance – December 31, 2020	566,340	$	394
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 year ended December 31, 2020 the Corporation granted a total of 345,000 RSUs (2019 – 860,000) with a total grant-date fair value determined to be $1,100,000 (2019 - $1,407,000). Included in general and administrative expenses for the year ended December 31, 2020 is share-based compensation expense of $810,000 (2019 – $963,000) related to RSU awards.

The weighted average share price at the date of vesting for RSUs during the year ended December 31, 2020 was $3.00 (2019 - $1.63).

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.

The changes in DSUs outstanding are summarized as follows:

	Number of shares issued or issuable on vesting		Amount
Balance – December 31, 2019	-	$	-
DSUs granted	273,000		-
Share-based compensation expense recognized	-		870
DSUs vested	(273,000)		(870)
Balance – December 31, 2020	-	$	-

During the year ended December 31, 2020 the Corporation granted a total of 273,000 DSUs (2019 – 280,000) with a total grant-date fair value determined to be $870,000 (2019 - $731,000). Included in general and administrative expenses for the year ended December 31, 2020 is share-based compensation expense of $870,000 (2019 – $731,000) related to DSU awards.

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16. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE OF EXPENSE

The Corporation recorded general and administrative expenses for the years ending December 31, 2020 and 2019 as follows:

Corporate	**2020**	**2019**
Depreciation of plant and equipment and ROU assets	$ 286	$ 299
Amortization of intangible assets	3	10
Business development and investor relations	396	381
Office and administration	739	583
Professional and advisory	1,126	781
Regulatory	252	205
Salaries and contractors	3,418	3,176
Share-based compensation	3,314	3,977
Travel	81	254
	$ 9,615	$ 9,666
Discontinued Operations[i]	**2020**	**2019**
AEG	$ 1,263	$ 7,481
	$ 1,263	$ 7,481

(i) 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 the Corporation subsequent to February 14, 2020 (see Note 6).

17. MINE SITE MAINTENANCE

The Corporation recorded mine site maintenance expenses for the years ended December 31, 2020 and 2019 as follows:

	2020	**2019**
Depreciation of plant and equipment and ROU assets	$ 1,430	$ 1,244
Salaries and contractors	4,013	288
Professional fees	519	-
Materials and equipment	1,700	143
Share-based compensation	148	-
Other expenses	1,701	387
	$ 9,511	$ 2,062

(i) Mine site maintenance expenditures were directly related to rehabilitation and dewatering work at the Bellekeno mine and refurbishment work at Keno Hill.

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18. OTHER INCOME AND EXPENSES

The Corporation recorded other income and expenses for the years ended December 31, 2020 and 2019 as follows:

	2020	2019
Credit facility fee – warrants	$ -	$ (389)
Interest on lease liabilities	(100)	(162)
Gain (loss) on investments	168	(3)
Interest income	209	164
Foreign exchange gain (loss)	20	(36)
Other income (expenses)	(323)	(25)
	$ (26)	$ (451)

19. INCOME TAX EXPENSE

The major components of income tax expense for the years ended December 31, 2020 and 2019 are as follows:

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

	2020	2019
Accounting loss before tax from continued operations	$ (44,087)	$ (6,890)
Profit (loss) before tax from discontinued operations	7,550	(1,216)
Consolidated net loss before tax	36,537	(8,106)
Federal and provincial income tax rate of 27% (2019 – 27%)	(9,864)	(2,186)
Non-deductible permanent differences	664	977
Differences in foreign exchange rates	-	41
Effect of difference in tax rates	6	-
Change in deferred tax asset not recognized	5,271	1,568
Flow-through share renunciation	321	442
Non-taxable accounting gain on sale of subsidiaries	(1,832)	-
Deferred tax expense on discontinued operations	(214)	(11)
Change in estimate	191	(43)
Other	(60)	21
	(5,517)	809
Income tax provision	$ (5,517)	$ 809

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

Deferred tax liabilities	**Mineral Property Interest**	**Inventories**	**Plant and Equipment**	**Other**	**Total**
December 31, 2018	**$ (7,919)**	**$ (113)**	**$ (2,062)**	**$ (6,284)**	**$ (16,378)**
(Charged) credit to the income statement	(2,117)	-	(32)	(1,726)	(3,875)
Charged to OCI	-	-	-	(2)	(2)
December 31, 2019	**$ (10,036)**	**$ (113)**	**$ (2,094)**	**$ (8,012)**	**$ (20,255)**
(Charged) credited to the income statement	1,212	(114)	(83)	789	1,804
Charged to OCI	-	-	-	(379)	(379)
December 31, 2020	**$ (8,824)**	**$ (227)**	**$ (2,177)**	**$ (7,602)**	**$ (18,830)**

Deferred tax assets	**Mineral Property Interest**	**Loss Carry Forward**	**Plant and Equipment**	**Decommissioning and Rehabilitation Provision**	**Other**	**Total**
December 31, 2018	**$ 4,471**	**$ 7,265**	**$ 72**	**$ 1,427**	**$ 49**	**$ 13,284**
Credited (charged) to the income statement	697	1,298	(20)	247	28	2,250
December 31, 2019	**$ 5,168**	**$ 8,563**	**$ 52**	**$ 1,674**	**$ 77**	**$ 15,534**
Credited (charged) to the income statement	(1,078)	4,150	(10)	33	201	3,296
December 31, 2020	**$ 4,090**	**$ 12,713**	**$ 42**	**$ 1,707**	**$ 278**	**$ 18,830**

Net deferred tax liabilities

December 31, 2019	**$ (4,725)**
Charged to the income statement	5,104
Charged to OCI	(379)
December 31, 2020	**$ -**

(c) As at December 31, 2020, the Corporation has unrecognized potential tax assets, noted below, that are available to offset future taxable income. The Corporation has not recognized the deferred tax asset on these temporary differences because they relate to entities within the group that have a history of losses and there is not yet adequately convincing evidence that these entities will generate sufficient future taxable income to enable offset.

Tax loss carry forwards	$ 52,661
Mineral property interest	11,636
Other	8,656
	$ 72,953

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(d) As at December 31, 2020, the Corporation has available non-capital losses for income tax purposes in Canada which are available to be carried forward to reduce taxable income in future years and for which no deferred income tax asset has been recognized, and which expire as follows:

		Total
2033	$	1,406
2034		5,618
2035		6,685
2036		6,595
2037		6,568
2038		5,950
2039		6,925
2040		12,914
	$	**52,661**

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		**December 31 2020**		**December 31 2019**
Fair value through profit or loss:					
Warrants	Level 2	$	-	$	40
Embedded derivative asset	Level 3	$	13,074	$	15,160
Fair value through other comprehensive loss:					
Investment in marketable securities	Level 1	$	4,241	$	1,289
		$	17,315	$	16,489

During the year ended December 31, 2020, the fair value of the embedded derivative asset related to the Wheaton agreement was estimated using a probability-based dynamic pricing structure resulting in a mark-to-market adjustment of $(21,728,000) (2019 – $5,489,000). The model currently relies upon inputs from the current mine plan, 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.

Financial Instrument Risk Exposure

The Corporation's activities expose it to a variety of financial risks: market risk (currency risk), credit risk, commodity risk and liquidity risk. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Corporation's operating units. The Corporation's overall risk management program seeks to minimize potential adverse effects on the Corporation's financial performance, in the context of its general capital management objectives as further described in Note 21.

Currency Risk

All of the Corporation's mineral properties, plant and equipment are located in Canada and all of its mining operations occur in Canada. With development recommencing at the Keno Hill Silver District, the Corporation's exposure to US dollar currency risk increases as some accounts payable and accrued liabilities are denominated in US dollars. The Corporation is exposed to currency risk at the balance sheet date through the following financial assets and liabilities, which are denominated in thousands of US dollars:

	December 31 2020	December 31 2019
Cash and cash equivalents	$ 14	$ 588
Accounts and other receivables	2	1,282
Accounts payable and accrued liabilities	(338)	(925)
Net exposure	$ (322)	$ 945

Based on the above net exposure at December 31, 2020, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an approximately $32,200 decrease or increase respectively in both net and comprehensive loss (2019 – $94,500). The Corporation has not employed any currency hedging programs during the current period.

Credit Risk

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

	December 31 2020	December 31 2019
Trade receivables		
Currently due	$ 489	$ 5,229
Past due by 90 days or less, not impaired	204	1,082
Past due by greater than 90 days, not impaired	74	61
	767	6,372
Cash	23,210	6,313
Demand deposits	532	528
Term deposits	2,932	2,777
Promissory note receivable	1,250	-
Total exposure	$ 28,691	$ 15,990

All of the Corporation's cash and cash equivalents as at December 31, 2020 were held in the form of demand deposits. The Corporation's restricted cash and deposits were held in the form of term deposits and demand deposits. The Corporation's other financial instruments were its trade and other accounts receivable, its accounts payable and accrued liabilities, its promissory note receivable, and its investment in marketable securities.

The Corporation's accounts and other receivables as at December 31, 2020 total $1,883,000, and primarily relates to a receivable from a government agency. The Corporation is exposed to credit losses due to the non-performance of its counterparties. The Corporation's customer for the current reclamation management operations (carried out by ERDC) is a government body and therefore is not considered a material risk. For its trade receivables, the Corporation applies the simplified approach for determining expected credit losses, which require the Corporation to determine the lifetime, expected losses for all its trade receivables. The expected lifetime credit loss provision for its trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, when required. Because of factors including that its customers have been considered a low default risk to date, the historical default rates are low and the lifetime expected credit loss allowance for trade receivables is nominal as at December 31, 2020.

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

The Corporation's promissory note receivable as at December 31, 2020 totals $1,250,000 and relates to the sale of AEG. The Corporation is exposed to credit losses due to the non-performance of its counterparties and considering its promissory note is with one party, concentrating the risk, it does consider this to be a material risk. Furthermore, the maturity date of the promissory note receivable was originally February 14, 2020. The maturity date was subsequently amended on January 18, 2021 and the receivable now matures on June 30, 2022, bearing interest of 5% for the duration of this period. This deferral was negotiated and approved by both parties on January 14, 2021. The Corporation considered the expected lifetime credit losses associated with the deferral, and considering the continued business relationship with Ensero Solutions, Inc (formerly AEG), concluded that although it increased, it was nominal as at December 31, 2020.

Commodity Risk

The Corporation is subject to commodity price risk from fluctuations in the market prices for silver, lead and zinc. Commodity price risks are affected by many factors that are outside the Corporation's control including the supply of and demand for metals, inflation, global consumption patterns and political and economic conditions. The financial instrument impacted by commodity prices for the Corporation is the embedded derivative asset. The fair value of the embedded derivative asset is highly correlated to the market price of these metals. The Corporation is exposed to commodity risk at the balance sheet date through the fair value adjustments of its embedded derivative asset:

	December 31 2020	December 31 2019
Embedded derivative asset	$ 13,074	$ 15,160
Total exposure	$ 13,074	$ 15,160

Based on the above exposure, the fair value of the embedded derivative asset with a 10% change in the prevailing commodity prices as at December 31, 2020, with all other variables constant, would result in an approximately $1,307,000 decrease or increase respectively in both net and comprehensive loss (2019 – $1,516,000). The Corporation has not employed any commodity hedging programs during the current period.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities. The Corporation has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements as well as the growth and development of its mining projects. The Corporation coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 21. The Corporation's financial liabilities are comprised of its accounts payable and accrued liabilities, the contractual maturities of which at the balance sheet date are summarized as follows:

	December 31 2020	December 31 2019
Accounts payable and accrued liabilities with contractual maturities		
Within 90 days or less	$ 12,311	$ 5,143
In later than 90 days, not later than one year	-	-
Total exposure	$ 12,311	$ 5,143

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

21. CAPITAL MANAGEMENT

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

The Corporation's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize the availability of finance to fund the growth and development of its mining projects, and to support the working capital required to maintain its ability to continue as a going concern. The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. To maintain or adjust its capital structure, the Corporation considers all sources of finance reasonably available to it, including but not limited to issuance of new capital, issuance of new debt and the sale of assets in whole or in part, including mineral property interests. The Corporation's overall strategy with respect to management of capital at December 31, 2020 remains fundamentally unchanged from the year ended December 31, 2019.

22. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information with respect to the year ended December 31, 2020 and 2019 is summarized as follows:

		2020		2019
Operating Cash Flows Arising from Interest and Taxes				
Interest received	$	79	$	140
Non-Cash Investing and Financing Transactions				
Capitalization of share-based compensation to mineral properties, plant and equipment	$	430	$	395
Capitalization of depreciation to mineral properties, plant and equipment	$	923	$	325
Capitalization of re-estimation of decommissioning and rehabilitation provision	$	305	$	853
Share issuance costs (non-cash)	$	-	$	104
Increase (decrease) in non-cash working capital related to:				
Mineral properties, plant and equipment	$	(4,375)	$	505

23. SEGMENTED INFORMATION

The Corporation had two operating segments during the years ended December 31, 2020 and 2019, which include 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 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 6). The Corporation will continue to operate a reclamation management segment of the business focused on the clean-up of historical liabilities of the Keno Hill Silver District through ERDC under 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.

Segmented information as at and for the years ended December 31, 2020 and 2019 is summarized as follows:

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

As at and for the year ended December 31, 2020		Reclamation Management		Mining		Corporate and Other		Total
Segment revenues								
External customers								
Canadian	$	2,866	$	-	$	-	$	2,866
Total revenues as reported		2,866		-		-		2,866
Cost of sales		3,300		-		-		3,300
Depreciation and amortization		-		1,430		289		1,719
Share-based compensation		-		148		3,314		3,462
Other G&A expenses		-		103		6,008		6,111
Mine site maintenance		-		7,933		-		7,933
Foreign exchange gain		-		(6)		(14)		(20)
Gain on investments		-		-		(168)		(168)
Loss on embedded derivative asset		-		21,728		-		21,728
Write-down of inventories		-		2,773		-		2,773
Other (income) loss		-		152		(37)		115
Segment income loss before taxes[(i)]	$	(434)	$	(34,261)	$	(9,392)	$	(44,087)
Total assets	$	948	$	138,421	$	32,298	$	171,667
Total liabilities	$	219	$	22,050	$	4,066	$	26,335

As at and for the year ended December 31, 2019		Reclamation Management		Mining		Corporate and Other		Total
Segment revenues								
External customers								
Canadian	$	2,364	$	-	$	-	$	2,364
Total revenues as reported		2,364		-		-		2,364
Cost of sales		2,564		-		-		2,564
Depreciation and amortization		-		1,244		307		1,551
Share-based compensation		-		-		3,977		3,977
Other G&A expenses		-		69		5,314		5,383
Mine site maintenance		-		818		-		818
Foreign exchange (gain) loss		-		(5)		41		36
Loss on investments				1		2		3
Gain on embedded derivative asset		-		(5,489)		-		(5,489)
Other (income) loss		-		78		333		411
Segment income loss before taxes[(i)]	$	(200)	$	3,284	$	(9,974)	$	(6,890)
Total assets	$	9,509	$	125,878	$	9,966	$	145,353
Total liabilities	$	2,898	$	12,426	$	3,359	$	18,683

(i) Represents consolidated loss before taxes.

24. KEY MANAGEMENT COMPENSATION

The remuneration of directors and those persons having authority and responsibility for planning, directing and controlling activities of the Corporation for the years ended December 31, 2020 and 2019 was as follows:

		2020		2019
Salaries and other short-term benefits	$	1,942	$	2,614
Share-based compensation		1,979		2,990
Total key management compensation	$	3,921	$	5,604

25. COMMITMENTS

The Corporation's commitments totaled approximately $1,071,000 as of December 31, 2020.

26. SUBSEQUENT EVENTS

(a) On January 4, 2021 the Corporation sold its NSR Royalty in Golden Predator Exploration Ltd.'s Brewery Creek Project for total cash consideration of $4,500,000 resulting in a gain on sale of $4,500,000.

(b) On January 28, 2021 the Corporation completed an equity financing and issued 2,704,770 flow-through common shares for aggregate gross proceeds of $11,700,666. The flow-through common shares comprise: (i) 2,053,670 flow-through shares with respect to "Canadian exploration expenses" (the "CEE Shares") priced at $4.48 per CEE Share; and (ii) 651,100 flow-through shares with respect to "Canadian development expenses" (the "CDE Shares") priced at $3.84 per CDE Share.

ALEXCO RESOURCE CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

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This Management's Discussion and Analysis ("MD&A") of Alexco Resource Corp. ("Alexco" or the "Corporation") is dated March 11, 2021 and provides an analysis of Alexco's consolidated financial results for the year ended December 31, 2020 ("FY 2020") compared to the year ended December 31, 2019 ("FY 2019").

The following information should be read in conjunction with the Corporation's December 31, 2020 consolidated financial statements with accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These documents and additional information on the Corporation are available on the Corporation's website at www.alexcoresource.com, the SEDAR website at www.sedar.com and the Edgar website at www.sec.gov.

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

All dollar figures are expressed in Canadian dollars unless otherwise stated.

1. FOURTH QUARTER AND FULL YEAR 2020 HIGHLIGHTS

On June 24, 2020, the Corporation announced that, subject to receipt of the final amended and renewed water use license ("WUL"), it was moving forward with final development of its mines at Keno Hill ("KHSD", "Keno Hill", or the "District") with start-up activities, mill commissioning activities, and capital projects and their related costs commencing in the third quarter of 2020 ("Q3 2020"). In Q3 2020 and the fourth quarter of 2020 ("Q4 2020"), the majority of corporate activity and expenditures were focused on start-up and commissioning activities associated with this decision.

Corporate

- The Corporation's cash and cash equivalents as at December 31, 2020 totaled $23,742,000 compared to $6,841,000 as at December 31, 2019, while net working capital totaled $15,353,000 compared to $10,090,000 as at December 31, 2019 (see "Non-GAAP Measures" in Section 11 of the MD&A for the year ended December 31, 2020). The Corporation's restricted cash and deposits as at December 31, 2020 totaled $2,932,000 compared to $2,777,000 as at December 31, 2019.

- The Corporation reported an operating loss of $11,605,000 for Q4 2020, compared to an operating loss of $4,598,000 for the quarter ended December 31, 2019 ("Q4 2019"). The Corporation reported an operating loss of $22,333,000 for FY 2020, compared to an operating loss of $11,928,000 for FY 2019. The increase in operating loss from FY 2019 to FY 2020 is primarily a result of start-up related mine site expenses of $7,449,000 at the Bellekeno mine and refurbishment work at the Keno Hill mill throughout the last half of 2020, and a write-down of $2,773,000 of non-current ore in underground stockpile during Q4 2020.

- On February 14, 2020, Alexco entered into a share purchase agreement (the "AEG Sale Agreement") for the sale of its wholly owned subsidiary environmental consulting business, Alexco Environmental Group ("AEG"), to AEG's executive management ("AEG Management") led by AEG's President (a related party transaction due to the AEG President being a key member of management of Alexco). Under the terms of the AEG Sale Agreement, AEG Management purchased all of the shares of AEG in consideration for payment to Alexco of $13,350,000. This balance consisted of $12,100,000 in cash and a $1,250,000 promissory note.

Financing and Other Activities

- On March 27, 2020, the Corporation completed an equity financing and issued 4,662,675 common shares at a price of $1.85 per share for aggregate gross proceeds of $8,625,948 (the "March 2020 Offering").

- On July 7, 2020, the Corporation completed an equity financing and issued 10,994,000 common shares at a price of $2.73 per share for aggregate gross proceeds of $30,013,620 (the "July 2020 Offering").

- On August 5, 2020, the Corporation entered into an amended and restated agreement with Wheaton Precious Metals Corp. ("Wheaton") with respect to the streaming agreement between the two companies (see press release dated June 24, 2020, entitled "Alexco Moves Forward to Production at Keno Hill").

Mine Operations and Exploration, 2020 Results

- In June 2020, the Corporation announced it was moving forward with final development of its mines at Keno Hill, including production from the Bellekeno, Flame & Moth, and Bermingham silver deposits. Subsequently, in August 2020, with a completed pre-feasibility study of Keno Hill, receipt of all necessary permits, finalization of the Wheaton stream amendment, and completion of the necessary financing, the Flame & Moth and Bermingham mineral deposits transitioned from exploration and evaluation properties to mining development properties.
- On July 23, 2020, the Corporation received the final amended and renewed water use license ("WUL") for Keno Hill from the Yukon Water Board. The WUL authorizes Alexco to source and use water, as well as deposit designated waste streams into approved facilities in and around planned production centers at the Bellekeno, Flame & Moth, and Bermingham deposits.
- During Q4 2020, the Corporation announced initial mill commissioning and lead ("Pb")/silver ("Ag") and zinc ("Zn") concentrate production from processing Bellekeno ore. Concentrate produced in 2020 was stockpiled for shipping in 2021.

Subsequent to year end:

- On January 4, 2021, the Corporation sold its net smelter return ("NSR") royalty in Golden Predator Exploration Ltd.'s Brewery Creek Project to Wheaton for total cash consideration of $4,500,000.
- On January 19, 2021, the Corporation reported results from its 2020 surface exploration drilling program, completing 7,653 meters ("m") of core drilling in 14 holes (see press release dated January 19, 2021, entitled "Alexco Extends Bermingham and High-Grade Mineralization at Depth, Intersects 3,583 g/t Silver Over 8.76 Meters True Width and Other Significant Results").
- On January 28, 2021, the Corporation completed an equity financing and issued 2,704,770 flow-through common shares for aggregate gross proceeds of $11,700,666. The flow-through common shares comprise: (i) 2,053,670 flow-through shares with respect to "Canadian exploration expenses" (the "CEE Shares") priced at $4.48 per CEE Share; and (ii) 651,100 flow-through shares with respect to "Canadian development expenses" (the "CDE Shares") priced at $3.84 per CDE Share.

2. OVERVIEW OF THE BUSINESS

The Corporation owns the majority and most prospective part of the historic Keno Hill Silver District, located in Canada's Yukon Territory. The Bellekeno silver mine, a high-grade silver operation, commenced commercial production at the beginning of 2011 and was Canada's only operating primary Ag mine from 2011 to 2013, producing a total of 5.6 million ("M") ounces ("oz") of Ag during the 2010 – 2013 period. In September 2013, the Corporation suspended Bellekeno mining operations in light of sharply reduced Ag and base metal prices. Since the suspension, the Corporation focused on advancing the Flame & Moth and Bermingham deposits, renegotiating third party contracts, and reviewing opportunities to reduce future mine operating costs and improve operating efficiencies related to future mine operations at Keno Hill. This work culminated with the announcement of the pre-feasibility study ("PFS") results in March 2019 and the publication of the PFS in May 2019, as amended in February 2020. In June 2020, the Corporation announced it was moving forward with final development of its mines at Keno Hill, including production from the Bellekeno, Flame & Moth, and Bermingham deposits. Extraction of "startup ore" from the Bellekeno mine began in November 2020 and will continue into the second quarter of 2021 ("Q2 2021") concurrent with underground development activities at the Flame & Moth and Bermingham mines. Bellekeno start-up ore provided feed for mill commissioning and concentrate production beginning in November 2020 and continuing into the first quarter of 2021 ("Q1 2021").

Keno Hill lies within the traditional territory of the First Nation of Na-Cho Nyak Dun ("FNNND"). Alexco is party to a Comprehensive Cooperation and Benefits Agreement with the FNNND, setting out common understandings, obligations and opportunities arising from all of Alexco's activities within the District including exploration, care and maintenance, historic District closure activities, and mine production.

Alexco is a public company which is listed on the Toronto Stock Exchange and the NYSE American Equities Exchange (under the symbol AXU).

3. BUSINESS DEVELOPMENTS

Development Decision at Keno Hill

Alexco's current focus is completing the development of the Bermingham and Flame & Moth deposits and reaching commercial production of mining operations at Keno Hill. Alexco has the requisite permits and authorizations, comprising a Quartz Mining License ("QML") and WUL, for ore production from the Flame & Moth, Bermingham, and Bellekeno deposits ("Keno Hill Mining Properties"), and the District's mill facility for the next 15 years.

In June 2020, the Corporation announced it was moving forward with final development of its mines at Keno Hill, including production from the Bellekeno, Flame & Moth, and Bermingham silver deposits. In August 2020, with a completed PFS, receipt of all necessary permits, finalization of the Wheaton stream amendment, and completion of the necessary financing, the Flame & Moth and Bermingham mineral deposits transitioned from exploration and evaluation properties to mining development properties.

In November 2020, the Corporation announced mill commissioning and initial Pb/Ag and Zn concentrate production. The initial ore source for mill commissioning was the Bellekeno underground mine where drilling, blasting, and extraction of ore from long hole stopes continues into Q1 2021. During the year ended December 31, 2020, initial concentrate resulting from mill commissioning activities was stockpiled for shipping in Q1 2021.

In 2020 Ocean Partners was selected as the concentrate off-take provider for both the Pb/Ag and Zn concentrates to be produced at Keno Hill. Both concentrates are being transported to and processed at a North American smelter.

The Corporation continues to recruit and onboard the mine operations team. Key managers, site supervisors and mine engineering staff are all in place and the current focus continues to be the onboarding of geologists, underground miners, and maintenance specialists. The head count at Keno Hill as of December 31, 2020 was 130 employees and 18 contractors. Over 80% of the Alexco employees currently hired are from the Yukon and British Columbia including citizens of the FNNND.

With the significant increase in underground and district-wide operating activities at Keno Hill, the safety performance of all employees and contractors remains excellent and exemplifies the culture of safety excellence instilled at Keno Hill. The Company's safety record has now exceeded over 10 years without a Lost Time Accident. The Company's strict COVID-19 management protocols and operating practices remain in place and are continuously reviewed to comply with the guidelines of the Yukon Chief Medical Officer.

2020 Exploration Program

On January 19, 2021, the Company reported results from its 2020 surface exploration drilling program that focused on the Bermingham Northeast Deep zone located at depth, approximately 150 m below the existing mineral resource that is currently in development for ore production beginning in Q2 2021. The 2020 exploration program was designed to drill approximately 100 m sections to trace the deeper zone southwest and northeast along strike within the favourable mineralization corridor. The program completed 7,653 m of core drilling in 14 holes and focused on a 550 m long structurally controlled sub-horizontal elongated zone in the same structural and stratigraphic setting that contains the high-grade mineralization initially discovered in 2018 below the Bermingham mineral resource (see press release, dated January 19, 2021, entitled "Alexco Extends Bermingham and High-Grade Mineralization at Depth, Intersects 3,583 g/t Silver Over 8.76 Meters True Width and Other Significant Results").

COVID-19

During the year, the Corporation has made significant efforts to safeguard the health of its employees and the communities within which we operate, while continuing to operate safely and maintaining essential business activity. To support public health efforts in the Yukon, and in consideration of the uncertainty caused by the COVID-19 pandemic, the Corporation suspended underground development of the Bermingham and Flame & Moth deposits at Keno Hill from March to July 2020. While development activities at these deposits resumed, thereafter in early November 2020, the Yukon Government reinstated mandatory isolation requirements for anyone entering the Yukon. This requirement caused additional delays in capital development activity while new alternative isolation plans have been developed and subsequently approved by the Yukon regulators and health officials. The extended period to develop and implement the new self-isolation plan has resulted in the Corporation focusing its reduced underground workforce and resources on the Bermingham deposit while temporarily idling the development at Flame & Moth, which subsequently resumed in early February 2021. The Company notes below the COVID-19 pandemic risk and its impact on development remains the foremost risk to schedule and scale-up activities at Keno Hill.

Alexco Environmental Group ("AEG") – Discontinued Operations

On February 14, 2020, Alexco entered into the AEG Sale Agreement for the sale of AEG, to AEG Management led by AEG's President (a related party transaction due to the AEG President being a key member of management of Alexco). Under the terms of the AEG Sale Agreement, AEG Management purchased all of the shares of AEG in consideration for payment to Alexco of $13,350,000. On closing of the transaction, AEG Management paid $12,100,000 in cash, with the balance of $1,250,000 payable pursuant to a promissory note that originally was to mature on February 14, 2021. The maturity date was subsequently amended on January 18, 2021 and the receivable now matures on June 30, 2022, bearing interest of 5% for the duration of this period.

Alexco retained ownership of Elsa Reclamation & Development Company Ltd. ("ERDC") and will execute the clean-up of historical mines in the Keno Hill Silver District under its existing contractual arrangement with the Federal Government of Canada ("Canadian Government").

4. OUTLOOK AND STRATEGY

Production and Development at Keno Hill

Ramp-up of mining and milling operations continues in Q1 2021 with activities adjusted and moderated to comply with modified COVID-19 protocols in Yukon. Initial ore supply is being sourced from the Bellekeno underground mine where longhole drilling and blasting of residual ore is providing initial feed to the mill, with concentrate shipments to the port of Skagway commencing in Q1 2021.

The mill continues the commissioning process, including concentrate production and is operating with a modified schedule to best match the ore delivery from Bellekeno while optimizing the operational and metallurgical performance of the recent changes to the mill circuit. As atFebruary 28, 2021, 2,409 tonnes of ore have been milled at a Ag head grade of 956 grams per tonne with Ag recoveries to date of 92.9%, producing 363 dry metric tonnes of Pb/Ag concentrate. Installation of the second ball mill and concentrate regrind mills will be complete in Q2 2021, in advance of higher ore production and mill throughput. Elsewhere, expansion of the camp accommodation complex and additional miner dry/wash facilities is complete, and the new administration complex is scheduled for completion in Q1 2021.

At Bermingham, underground development is proceeding, with initial ore production anticipated in Q2 2021. At the Flame & Moth mine, underground development activities resumed in Q1 2021. At both Bermingham and Flame & Moth mines, improving underground cycle times in variable ground (quartzite and schist) remains a focus along with continued training of crews in operation of new equipment, particularly jumbos and bolters. At Bermingham, a primary ventilation raise is approximately 40% complete and breakthrough to surface is scheduled in early Q2 2021.

On balance, the current operating conditions related to COVID-19 protocols and slower underground development (partially offset by overachievement of Ag grade in ore from the Bellekeno deposit), are anticipated to improve through Q2 2021 with design throughput of 400 tonnes per day achieved in the mill in the third quarter of 2021 ("Q3 2021"). The Company cautions however, that longer term continuation or increased COVID-19 related workplace restrictions will have the effect of extending the scale-up period, possibly into the fourth quarter of 2021 ("Q4 2021").

Exploration

In mid-March 2021, Alexco is planning to launch a large-scale surface exploration program to drill a minimum of 25,000 m utilizing four drills with directional drill technology and focusing on infill and extend drilling primarily of the Bermingham Northeast Deep zone mineralization. The Company plans to update the existing Bermingham mineral resource estimate in Q4 2021 following receipt of results of the 2021 drilling program.

ERDC

In parallel with mine operations, Alexco, through ERDC, continues to advance the reclamation project related to historic environmental disturbances in the District. As part of Alexco's 2006 acquisition of the United Keno Hill Mines Limited and UKH Minerals Limited ("UKHM") mineral rights in the District, ERDC, a wholly owned subsidiary of Alexco, is party to the amended and restated subsidiary agreement (the "ARSA") with the Canadian Government. Under the ARSA, ERDC is retained by the Canadian Government as a paid contractor responsible on a continuing basis for the environmental care and maintenance for the reclamation of the historical environmental liabilities of the former UKHM mineral properties. The ARSA provides that ERDC share the responsibility for the development of the ultimate closure plan with the Canadian Government.

ERDC currently holds a Type B WUL under the Yukon Waters Act to undertake care and maintenance activities in the Keno Hill area. ERDC is responsible for carrying out the environmental care and maintenance at various sites within the UKHM mineral rights, for a fixed annual fee established on a per-site basis totaling $850,000, adjustable for material changes in scope.

The Reclamation Plan for the historical UKHM was submitted in September 2018 for environmental assessment by the Yukon Environmental and Socio-economic Assessment Board ("YESAB"). The final Evaluation Report for the Reclamation Plan to address legacy liabilities at Keno Hill was issued by YESAB in February 2020, and on July 20, 2020 a final Decision Document was issued. ERDC entered into the Yukon Water Board's water licencing process to authorize the activities necessary to effect closure of the site. After licencing, the Reclamation Plan must be finalized for submission to Crown-Indigenous Relations and Northern Affairs Canada for approval prior to execution of the final reclamation plan.

Economic Climate

Ag, Pb and Zn historically are the primary metals found within the District. With respect to the economic climate during 2020, the price of Ag has been extremely volatile.

During 2020, the average Ag price was US$20.54 per ounce and traded from a high of US$28.89 per ounce on September 1, 2020 to a low of US$12.00 per ounce on March 19, 2020, while Pb traded between US$0.94 to US$0.72 per pound and Zn traded between US$1.29 to US$0.83 per pound. As at the date of this MD&A, spot commodity prices are approximately US$26.25 per ounce for Ag, US$0.88 per pound for Pb and US$1.24 per pound for Zn and the Canadian-US exchange rate is approximately US$0.79 per CAD.

Consensus investment analyst forecasts over the next two years for Ag average approximately US$24.33 per ounce, while forecasts for Pb and Zn average approximately US$0.90 per pound and US$1.09 per pound, respectively. The Canadian-US exchange rate consensus forecast for the next two years is US$0.76 per CAD (see "Risk Factors" in Section 11 of the MD&A for the year ended December 31, 2020, including but not limited to "Potential Profitability of Mineral Properties Depends Upon Other Factors Beyond the Control of Alexco" and "General Economic Conditions May Adversely Affect Alexco's Growth and Profitability" thereunder).

5. RESULTS OF OPERATIONS

Production

During Q4 2020 and FY 2020, the Company mined 2,028 tonnes of ore. Underground ore production was solely from Bellekeno where longhole drilling and blasting of residual ore provided feed to the mill. Current ore grades from Bellekeno are generally exceeding the block model grades. Bellekeno ore production will continue into Q2 2021. Underground development activities at Bermingham and Flame & Moth began in Q3 2020 and continue, with initial ore production from Bermingham targeted for Q2 2021 and from Flame & Moth targeted for Q3 2021.

During Q4 2020, the Company announced initial mill commissioning and lead/Ag and zinc concentrate production from processing Bellekeno ore. Concentrate produced in 2020 was stockpiled for shipping in 2021. Since initial commissioning, the mill has been operating on a modified rotation schedule to match ore production from the Bellekeno mine. In the mill, installation of cyclones, the addition of a new tailings filter press, installation of a new fine ore feeder, and construction of a new building around the crusher have all been completed. In the meantime, mechanical adjustments and circuit modifications related to ongoing commissioning activity continue with a focus on metallurgical performance.

ERDC

During FY 2020, under the contract with the Canadian Government for the remediation of legacy environmental liabilities at Keno Hill, ERDC completed the environmental assessment for the Reclamation Plan. The final Evaluation Report for the Reclamation Plan to address legacy liabilities at Keno Hill was issued by YESAB in February 2020 and a final Decision Document was issued on July 20, 2020. The Reclamation Plan is now in the application process for renewal of the Type B Water License, which will include the conditions for implementation of the reclamation project.

6. FINANCIAL RESULTS

Key financial metrics is summarized as follows:

(expressed in thousands of Canadian dollars, except per share and share amounts)	**For the three months ended December 31**		**For the years ended December 31**	
	2020	**2019**	**2020**	**2019**
Revenues - Reclamation Management Revenue	633	661	2,866	2,364
Operating Loss	(11,605)	(4,598)	(22,333)	(11,928)
Adjusted Loss Before Taxes[1]	(11,676)	(4,621)	(22,359)	(12,379)
Cash and cash equivalents	23,742	6,841	23,742	6,841
Net Working Capital[1]	15,353	10,090	15,353	10,090
Adjusted Net Loss from Continued Operations[1]	(9,547)	(4,753)	(16,842)	(13,188)
Net Loss from Continued Operations[2]	(15,817)	(5,560)	(38,570)	(7,699)
Shareholders				
Basic and Diluted Net Loss from Continued Operations per Common Share	(0.12)	(0.05)	(0.30)	(0.07)
Adjusted Basic and Diluted Net Loss from Continued Operations per Common Share[1]	(0.07)	(0.04)	(0.13)	(0.12)
Total assets[3]	171,667	145,353	171,667	145,353
Total non-current liabilities[4]	10,949	11,967	10,949	11,967

1. *See "Non-GAAP Measures" in Section 11 of the MD&A for the year ended December 31, 2020.*
2. *Net loss from continued operations for FY 2020 includes a non-cash fair value adjustment relating to the loss from the embedded derivative asset totaling $21,728,000 (2019 – gain from the embedded derivative asset totaling $5,489,000).*
3. *Total assets increased primarily as a result of additions to mineral properties and an increase in cash and cash equivalents.*
4. *Total non-current liabilities decreased primarily due to decrease in deferred income tax liabilities, partially offset by recognition of non-current lease liabilities for mining equipment at Keno Hill.*

The Corporation reported an operating loss of $11,605,000 for Q4 2020, compared to an operating loss of $4,598,000 for Q4 2019. The Corporation reported an operating loss of $22,333,000 for FY 2020, compared to an operating loss of $11,928,000 for FY 2019. The increase in operating loss from Q4 2019 to Q4 2020 is primarily a result of an increase in mine site maintenance expense of $3,506,000 related to rehabilitation and dewatering work at the Bellekeno mine and refurbishment work at the District mill and a write-down of $2,773,000 of non-current ore in underground stockpile.

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

Period	**Revenue**	**Gross Profit (Loss)**	**Net Income (Loss)**	**Basic Income (Loss) per Share**	**Diluted Income (Loss) per Share**	**Gain (Loss) on Embedded Derivative Asset**	**Expenditures Capitalized on Mineral Properties**
2019-Q1	7,233	1,472	1,207	$ 0.01	$ 0.01	5,482	1,266
2019-Q2	8,694	2,034	(1,471)	$(0.01)	$(0.01)	1,005	1,690
2019-Q3	7,200	1,420	(2,308)	$(0.02)	$(0.02)	(191)	2,531
2019-Q4	6,079	1,150	(6,343)	$(0.06)	$(0.06)	(807)	1,794
2019 Total	**29,206**	**6,076**	**(8,915)**	**$(0.08)**	**$(0.08)**	**5,489**	**7,281**

2020-Q1	567	27	12,053	$ 0.10	$ 0.10	8,097	1,975
2020-Q2	871	(24)	(12,229)	$(0.10)	$(0.10)	(11,579)	1,396
2020-Q3	795	(153)	(15,241)	$(0.11)	$(0.11)	(11,976)	4,817
2020-Q4	633	(284)	(15,817)	$(0.12)	$(0.12)	(6,270)	10,196
2020 Total	**2,866**	**(434)**	**(31,234)**	**$(0.23)**	**$(0.23)**	**(21,728)**	**18,384**

1. *Sum of all the quarters may not add up to the yearly totals due to rounding.*
2. *The table includes results from continued and discontinued operations. The revenue and gross profit (loss) for the 2020 periods relate to continued operations and is representative of the portion of revenue and gross profit attributable to continuing operations in prior periods.*

The net income from Q1 2019 reflects a gain on the embedded derivative asset related to the Wheaton streaming agreement, offset by site-based expenditures along with general and administrative expenses of the Corporation. The net loss for Q2 2019 reflects site-based expenditures along with general and administrative expenses, which were partially offset by a non-cash fair value gain related to the embedded derivative asset on the Wheaton streaming agreement. The net loss for Q3 2019 reflects continued site-based expenditures at Keno Hill along with general and administrative expenses. The net loss for Q4 2019 reflects increased non-cash costs related to a loss on the fair value of the derivative asset related to the Wheaton stream and an increase in share-based compensation expense. The net income from Q1 2020 reflects a gain on the sale of AEG and a gain on the embedded derivative asset related to the Wheaton streaming agreement, offset by site-based expenditures along with general and administrative expenses of the Corporation. The net loss in Q2 2020 reflects a non-cash fair value loss of $11,579,000 on the embedded derivative asset related to the Wheaton streaming agreement, as well as site-based expenditures related to non-capital mill refurbishments in anticipation of mill commissioning and general and administrative expenses of the Corporation. The net loss for Q3 2020 reflects a non-cash fair value loss of $11,976,000 related to the embedded derivative asset on the Wheaton streaming agreement and an increase in site-based expenditures at the Bellekeno deposit and the District mill in preparation of mill commissioning. The net loss for Q4 2020 reflects a non-cash fair value loss of $6,270,000 on the embedded derivative asset related to the Wheaton streaming agreement, mine site expenditures at the Bellekeno deposit and the District mill in preparation for mill commissioning, and a write-down of non-current ore in stockpile at Bellekeno of $2,773,000.

The write-down of ore in stockpile of $2,773,000 is a result of the change in expectation of processing timing and higher expected costs to complete including additional costs related to dewatering in preparation for extraction.

The gain (loss) on embedded derivative asset is related to the Wheaton SPA. Changes in the fair value of the embedded derivative asset are recorded as a gain (loss) on embedded derivative asset on the statements of loss and comprehensive loss. See "Embedded Derivative Asset and Financial Instruments" in Section 8 of the MD&A for the year ended December 31, 2020 for further discussion and analysis on the gain (loss) on embedded derivative asset.

The mineral property expenditures in FY 2019 mainly reflect continued work with independent contractors on the PFS, completion of the 2019 surface exploration drilling program, and development infrastructure initiatives at site. The mineral property expenditures in Q1 and Q2 2020 reflect completion of an airborne geophysical program, development activities at site, and preparation for the upcoming surface exploration drilling program. The mineral property expenditures in Q3 2020 mainly reflect the commencement of the surface drilling program and development activities associated with the positive decision to move the District to production. The mineral property expenditures in Q4 2020 mainly reflect development activities at Bermingham and Flame & Moth.

Mine Site Maintenance

Mine site maintenance costs during Q4 2020 totaled $4,060,000 compared to $554,000 for Q4 2019. Mine site maintenance costs for FY 2020 totaled $9,511,000 compared to $2,062,000 for FY 2019. The cost increases during the quarter and year ended December 31, 2020 compared to 2019 is directly related to mine start-up costs including rehabilitation and dewatering work at Bellekeno for initial ore production and non-capital refurbishment work at Keno Hill in preparation for mill commissioning. Included in mine site maintenance costs is depreciation expense of $1,430,000 for FY 2020 compared to $1,244,000 for FY 2019.

General and Administrative Expenses

Corporate general and administrative expenses during Q4 2020 totaled $4,488,000 compared to $3,897,000 for Q4 2019. Both periods included non-cash costs in the amounts of $2,200,000 and $2,039,000 for Q4 2020 and Q4 2019, respectively, which relate to share-based compensation, and amortization and depreciation expenses.

Corporate general and administrative expenses during FY 2020 totaled $9,615,000 compared to $9,666,000 for FY 2019. Both periods included non-cash costs in the amounts of $3,603,000 and $4,286,000 for FY 2020 and FY 2019, respectively, which relate to share-based compensation, and amortization and depreciation expenses.

7. LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Liquidity

The Corporation's cash and cash equivalents as at December 31, 2020 totaled $23,742,000 compared to $6,841,000 as at December 31, 2019, while net working capital (see "Non-GAAP Measures" in Section 11 of the MD&A for the year ended December 31, 2020) totaled $15,353,000 compared to $10,090,000 at December 31, 2019. The Corporation's restricted cash and deposits as at December 31, 2020 totaled $2,932,000 compared to $2,777,000 as at December 31, 2019. The Corporation faces no known liquidity issues and is not aware of any significant credit risks in any of its financial assets.

In accordance with the PFS, the pre-production capital required for the development of Keno Hill and restart of underground production operations was estimated to be $17,900,000 plus an additional $5,300,000 for working capital. During 2020, the Corporation invested a significant portion towards this pre-production capital with remainder of the expenditure outlay anticipated in 2021. As a result of the slower ramp-up of production to comply with the COVID-19 protocols in the Yukon, the Corporation anticipates that the working capital requirements will increase.

With its cash resources and net working capital on hand as at December 31, 2020, in addition to the proceeds raised from the equity financing subsequent to year end, the Corporation anticipates it will have sufficient capital resources to service the working capital requirements of its capital and development costs for a re-start of underground production operations, mine site maintenance, exploration activities, and corporate offices and administration, for at least the next 12 month period. As noted elsewhere in this MD&A, any unforeseen capital and development expenditures in excess of current plans, as well as funding necessary to achieve the Corporation's long-term objectives for the ongoing exploration and future development of its mineral properties, may require the Corporation to raise additional funding in the future.

The Corporation's main sources of funding have been from reclamation management revenue from ERDC (and prior to February 14, 2020 from environmental services provided through AEG) and equity issuances. All sources of financings reasonably available will be considered to fund future capital requirements should they arise, including but not limited to issuance of new capital, issuance of new debt, and the sale of assets in whole or in part, including mineral property interests or other property interests. There can be no assurance of profitable mining operations or continued access to finance in the future, and an inability to generate or secure such funding may require the Corporation to substantially curtail and defer its planned exploration and development activities.

The Corporation's activities expose it to a variety of financial risks: market risk (currency risk), credit risk, commodity risk and liquidity risk. Risk management is carried out by Management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Corporation's operating units. The Corporation's overall risk management program seeks to minimize potential adverse effects on the Corporation's financial performance, in the context of its general capital management objectives as further described in Note 21 of the Corporation's financial statements for the year ended December 31, 2020.

The Corporation manages liquidity uncertainty by monitoring actual and projected cash flows on a regular basis to try to ensure the Corporation can service its contractual obligations and commitments such as flow through financing commitments. Factors that can impact the Corporation's liquidity are monitored regularly and include assumptions of operational levels, operating costs, capital costs and foreign exchange rates.

Cash Flows

(expressed in thousands of Canadian dollars)	For the three months ended December 31 2020	2019	For the years ended December 31 2020	2019
Cash used in operating activities	$ (8,245)	$ (2,061)	$ (15,703)	$ (7,219)
Cash used in investing activities	(7,137)	(1,974)	(5,368)	(8,127)
Cash from (used in) financing activities	(627)	325	37,635	13,611
	$ (16,009)	$ (3,710)	$ 16,564	$ (1,735)

Cash used in operating activities was $8,245,000 for Q4 2020 versus $2,061,000 for Q4 2019. The majority of cash used in operating activities during Q4 2020 was expended on site-based maintenance costs including costs to advance the Bellekeno deposit to production. The Corporation continued with non-capital mill refurbishments and general and administrative expenses. Cash used in investing activities was $7,137,000 for Q4 2020 versus $1,974,000 for Q4 2019. The increase in cash used in investing activities during Q4 2020 primarily related to the positive decision to proceed to development and production at Keno Hill and the related increased development costs and purchases of underground equipment and mill upgrades at Keno Hill. The cash used in financing activities was $627,000 for Q4 2020 versus cash from financing activities of $325,000 for Q4 2019. The cash used in financing activities in Q4 2020 related to repayment of lease liabilities, partially offset by the exercise of stock options. The cash from financing activities in Q4 2019 primarily related to the exercise of stock options, partially offset by the repayment of lease liabilities.

Cash used in operating activities was $15,703,000 for FY 2020 versus $7,219,000 for FY 2019. The majority of cash used in operating activities during 2020 was expended on site-based maintenance costs. The Corporation continued with non-capital mill refurbishments and general and administrative expenses. Cash used in investing activities was $5,368,000 for FY 2020 versus $8,127,000 for FY 2019. The decrease in cash used in investing activities was primarily related to the positive decision to proceed to development and production at Keno Hill and the related increased development costs and purchases of underground equipment and mill upgrades at Keno Hill, partially offset by the proceeds from the sale of AEG. Cash from financing activities was $37,635,000 for FY 2020 versus $13,611,000 for FY 2019. The increase in cash from financing activities was primarily related to two equity financings during FY 2020 with net proceeds of $36,086,000 versus two equity financings with net proceeds of $10,836,000 during FY 2019.

Capital Resources

On November 2, 2020 the Corporation filed a short-form base shelf prospectus (the "Shelf") 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 (Registration Statement) with the United States Securities and Exchange Commission (SEC) under the U.S./Canada Multijurisdictional Disclosure System, which allows 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 November 2, 2020. As of the date of this MD&A, $11,700,666 has been applied against this Shelf.

On January 28, 2021, subsequent to year end, the Corporation completed an equity financing and issued 2,704,770 flow-through common shares for aggregate gross proceeds of $11,700,666. The flow-through common shares comprise: (i) 2,053,670 flow-through CEE Shares priced at $4.48 per CEE Share; and (ii) 651,100 flow-through CDE Shares priced at $3.84 per CDE Share. The proceeds from the CEE Shares will used to fund the 2021 surface exploration drilling program and the proceeds from the CDE Shares will be used for underground development at the Flame & Moth and Bermingham deposits in Q1 and Q2 2021.

On July 7, 2020, the Corporation closed the July 2020 Offering of 10,994,000 common shares at a price of $2.73 per share for gross proceeds of $30,013,620, for which such proceeds were used as follows:

(expressed in thousands of Canadian dollars)	**Estimated Amount to be Expended**	**Approximate Amount Expended (2)**
Use of Proceeds:		
Underwriters' fee in respect of July 2020 Offering	$ 1,351	$ 1,351
Costs of the July 2020 Offering	200	300
Development and site expenditures at Keno Hill Silver Project	15,000	12,984
General working capital purposes(1)	13,463	10,286
	$ 30,014	$ 24,921

1. *Net proceeds of $3,679,930 from the exercise in full of the underwriter's over-allotment option were added to general working capital.*
2. *Approximate amounts expended as of the date of this MD&A.*

On March 27, 2020, the Corporation closed the March 2020 Offering and issued 4,662,675 common shares at a price of $1.85 per share for aggregate gross proceeds of $8,625,948 for which such proceeds were used as follows:

(expressed in thousands of Canadian dollars)	**Estimated Amount to be Expended**	**Approximate Amount Expended (2)**
Use of Proceeds:		
Underwriters' fee in respect of March 2020 Offering	$ 518	$ 518
Costs of the March 2020 Offering	225	339
Development and site expenditures at Keno Hill Silver Project	4,000	4,000
General working capital purposes(1)	3,883	3,769
	$ 8,626	$ 8,626

1. *Net proceeds of $1,057,616 from the exercise in full of the underwriter's over-allotment option were added to general working capital.*
2. *Approximate amounts expended as of the date of this MD&A.*

On February 14, 2020, the Corporation completed the sale of AEG to AEG Management in consideration of $13,350,000, of which $12,100,000 was paid in cash on closing with the balance of $1,250,000 payable pursuant to a promissory note that was originally set to mature on February 14, 2021. The maturity date was subsequently amended on January 18, 2021 and the receivable now matures on June 30, 2022, bearing interest of 5% for the duration of this period.

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 ($1.33) per share for aggregate gross proceeds of US$6,500,000 ($8,634,000). The Corporation incurred share issuance costs of $965,000 for net cash proceeds of $7,669,000.

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 CEE Shares priced at C$1.90 per CEE Share; and (ii) 263,200 CDE Shares priced at C$1.90 per CDE Share.

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

Contractual Obligations *(expressed in thousands of Canadian dollars)*	**Payments Due by Period**				
	Total	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**After 5 years**
Operating Leases	$ 1,137	$ 278	$ 859	$ Nil	$ Nil
Decommissioning and rehabilitation provision (undiscounted basis)	7,322	503	453	459	5,907
Committed Expenditures:					
Purchase obligations	8,001	3,825	4,116	60	Nil
Total	$ 16,460	$ 4,606	$ 5,428	$ 519	$ 5,907

Share Data

As at the date of this MD&A, the Corporation has 141,931,174 common shares issued and outstanding. In addition, there are outstanding incentive share options exercisable into a further 8,761,702 common shares, warrants to be settled by way of common shares issued from treasury for a further 2,000,000 common shares, restricted share units to be settled by way of common shares issued from treasury for a further 316,339 common shares and deferred share units to be settled by way of common shares issued from treasury for a further 528,000 common shares.

Off-Balance Sheet Arrangements

Alexco has no off-balance sheet arrangements as defined by National Instrument 52-109.

8. EMBEDDED DERIVATIVE ASSET AND FINANCIAL INSTRUMENTS

Embedded Derivative Asset

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 sold by the Corporation from its Keno Hill 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 (the "Original Production Payment"). 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.

Subsequently on March 29, 2017 and August 5, 2020, the Corporation and Wheaton amended the SPA (the "Amended SPA"), which ultimately culminated in Wheaton continuing to receive 25% of the life of mine payable Ag from the Keno Hill Silver District and the Original Production Payment replaced with a production payment to the Corporation to be based on a new payment formula (the "Amended Production Payment") as outlined below:

- During the earlier of the initial two years ending August 4, 2022, or eight million ounces of payable Ag production (the "Initial Period"), the Amended Production Payment from Wheaton to the Corporation will be adjusted on a curve. The Amended Production Payment formula during the Initial Period is a linear equation that pays 90% of spot price at US$15 per ounce Ag (and below) and 10% of spot price at US$23 per ounce Ag (and above); and

- Following the Initial Period, the Amended Production Payment formula remains a linear equation and will pay 90% of spot price at US$13 per ounce Ag (and below) and 10% of spot price at US$23 per ounce Ag (and above).

Additional terms of the amendments include a date for completion of the 400 tonne per day mine and mill completion test 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 March 29, 2017 amendment, on April 10, 2017 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. This amendment introduced the variable production payment to be received from Wheaton upon extraction and delivery of their 25% interest of future Ag production is considered an embedded derivative asset within the Amended SPA. The embedded derivative asset was initially recorded at fair value, which was consistent with the value of the consideration paid to Wheaton and subsequently revalued at each period end.

On August 5, 2020, the Corporation issued 2,000,000 common share purchase warrants (the "Wheaton Warrants") to Wheaton, which partially compensated for amending the terms of the SPA. Each Wheaton Warrant entitles Wheaton to purchase one common share of the Corporation at an exercise price of $3.50, expiring August 5, 2025, with a fair value of $4,806,000 (US$3,624,000).

Management has concluded that the Amended SPA on August 5, 2020 was additional consideration received from Wheaton in order to preserve the long-term commercial viability of Keno Hill District properties and realize their 25% interest. On the date of the amendment, management valued the embedded derivative asset under the previously effective terms and again under the revised terms, and the gain to the Corporation, net of the warrants issued, of $14,835,000 was credited against the exploration and evaluation assets balance.

During FY 2020, the change in fair value of the embedded derivative asset related to the Wheaton SPA resulted in a fair value adjustment of $(21,728,000) (2019 – $5,489,000). The embedded derivative asset 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 Amended Production Payment under the Amended SPA which varies depending on the Ag pricing curve. The model currently relies upon inputs from the current mine plan, and considers payable ounces delivered. The model is updated quarterly for the Corporation's credit spread, Wheaton's credit spread, risk-free yield curve, Ag price forward curve, historical Ag price volatility, mineral reserves and resources and the production profile.

Based on assumptions used in the dynamic valuation model, the value of the derivative asset as at December 31, 2020 is $13,074,000. If, for example, Ag prices were to decline from the current spot and forward prices as at December 31, 2020 to US$13 per ounce and all other assumptions remained the same, the approximate derivative asset value would be $39,945,000. Similarly, if the Ag price was to increase to US$30 per ounce and all other assumptions remained the same, the approximate derivative asset value would be $10,352,000. The impacts of these changes in the embedded derivative asset value on the balance sheet are recorded through other income (expenses) on the consolidated statements of loss and comprehensive loss. The inputs that have had the greatest influence on the dynamic valuation model to date include the Corporation's credit spread, Wheaton's credit spread, risk-free yield curve, Ag price forward curve, historical Ag price volatility, mineral reserves and resources and the production profile.

As discussed above, the valuation model for the embedded derivative asset related to the Wheaton SPA currently relies upon inputs from the current mine plan, such as payable ounces delivered, and will be updated as a result of updated studies, mine plans and actual production. Furthermore, the valuation model for the embedded derivative asset is updated quarterly to utilize a probability based dynamic pricing structure as opposed to a static pricing structure. As such, the discount rate used and Ag price assumptions being updated quarterly are based on the risk-free yield curve and Ag price forward curve at quarter end.

The following table summarizes the expected stand-alone impact on the embedded derivative asset value based on changes in model inputs:

Dynamic Model Input Change	Expected Impact on Embedded Derivative Asset Value
Ag Price Increase	Decrease
Ag Price Volatility Increase	Decrease
Decrease in timeframe to reach production	Increase
Foreign Exchange: US dollar appreciates compared to CDN dollar	Increase
Risk Free Yield Increase	Decrease

Management expects that changes in the fair value of the embedded derivative asset prior to mine production will largely be driven by the risk-free yield curve and Ag price forward curve as well as proximity to production date. In a market where the price of Ag is static, these changes are expected to be nominal relative to a production scenario, at which time management expects the variability of the fair value adjustments to increase significantly as Ag ounces are mined and delivered to Wheaton. In volatile Ag price environments, the valuation changes to the embedded derivative asset are expected to be material.

Financial Instruments

All of the Corporation's cash and cash equivalents as at December 31, 2020 were held in the form of demand deposits. Alexco's restricted cash and deposits were held in the form of term deposits and demand deposits. The Corporation's other financial instruments were its trade and other accounts receivable, its accounts payable and accrued liabilities, its promissory note receivable, and its investment in marketable securities.

As at December 31, 2020, a total of $2,932,000 of the Corporation's restricted cash and deposits represents cash collateral posted with a surety company to underwrite surety bonds for security in respect of mine-site reclamation at certain of the Corporation's mineral properties. The balance of the Corporation's restricted cash and deposits represent security provided in respect of certain long-term operating lease commitments. The term deposits held as at December 31, 2020 as individual financial instruments carry initial maturity periods of one year or less. They have been classified as investments and accordingly are carried at amortized cost using the effective interest method. All term deposits held are high grade, low risk investments, generally yielding between 0.25% and 1.5% per annum, and their carrying amounts approximate their fair values given their short terms and low yields.

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

The Corporation's accounts and other receivables as at December 31, 2020 total $1,883,000, and primarily relates to a receivable from a government agency. The Corporation is exposed to credit losses due to the non-performance of its counterparties. The Corporation's customer for the current reclamation management operations (carried out by ERDC) is a government body and therefore is not considered a material risk. For its trade receivables, the Corporation applies the simplified approach for determining expected credit losses, which require the Corporation to determine the lifetime, expected losses for all its trade receivables. The expected lifetime credit loss provision for its trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, when required. Because of factors including that its customers have been considered a low default risk to date, the historical default rates are low and the lifetime expected credit loss allowance for trade receivables is nominal as at December 31, 2020.

The Corporation's promissory note receivable as at December 31, 2020 totals $1,250,000 and relates to the sale of AEG. The Corporation is exposed to credit losses due to the non-performance of its counterparties and considering its promissory note is with one party, concentrating the risk, it does consider this to be a material risk. Furthermore, the maturity date of the promissory note receivable was deferred from February 14, 2021 to June 30, 2022, bearing interest of 5% for the duration of this period and payable on maturity. This deferral was negotiated and approved by both parties on January 14, 2021. The Corporation considered the expected lifetime credit losses associated with the deferral, and considering the continued business relationship with Ensero Solutions, Inc (formerly AEG), concluded it was nominal as at December 31, 2020.

The carrying amounts of the Corporation's trade and other accounts receivable and accounts payable and accrued liabilities are estimated to reasonably approximate their fair values, while the carrying amount of investments in marketable securities and the embedded derivative asset are adjusted to fair value at each balance sheet date. The fair values of all of the Corporation's financial instruments measured as at December 31, 2020, other than the marketable securities that are included in investments, constitute Level 2 and Level 3 measurements within the fair value hierarchy defined under IFRS. The fair value of the investments in marketable securities constitute Level 1 measurements.

All of the Corporation's mineral properties, plant and equipment are located in Canada and all of its mining operations and mineral exploration occur in Canada. Also, while a significant majority of the Corporation's operating costs are denominated in Canadian dollars, it does have some exposure to costs, and therefore accounts payable and accrued liabilities, denominated in US dollars.

The Corporation has not employed any hedging activities in respect of the prices for its payable metals or for its exposure to fluctuations in the value of the US dollar.

9. KEY MANAGEMENT COMPENSATION

The remuneration of directors and those persons having authority and responsibility for planning, directing and controlling activities of the Corporation for the years ended December 31, 2020 and 2019 was as follows:

(expressed in thousands of Canadian dollars)	**For the three months ended December 31**		**For the years ended December 31**	
	2020	**2019**	**2020**	**2019**
Salaries and other short-term benefits	$ 452	$ 566	$ 1,942	$ 2,614
Share-based compensation	1,017	1,131	1,979	2,990
	$ 1,469	$ 1,697	$ 3,921	$ 5,604

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10. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Corporation's significant accounting policies as well as significant judgment and estimates are presented in Notes 3 and 5 of Alexco's December 31, 2020 annual consolidated financial statements.

11. NON-GAAP MEASURES

The Corporation presents non-GAAP measures, which are not defined in IFRS. A description and calculation of the measures are given below and may differ from similarly named measures provided by other issuers. We disclose these measures because we believe it assists readers in understanding Alexco's financial position. These measures should not be considered in isolation or used in substitute for other measures prepared in accordance with IFRS.

Adjusted Loss Before Taxes, Adjusted Net Loss from Continued Operations and Adjusted Basic and Diluted Net Loss from Continued Operations per Common Share

The Adjusted Loss Before Taxes excludes amounts recorded with respect to the change in fair value on the embedded derivative asset related to the Wheaton stream, and within this MD&A is provided before tax, net of tax and on a per-share basis (see Adjusted Net Loss from Continued Operations and Adjusted Basic and Diluted Net Loss from Continued Operations per Common Share). These measures are used by management to facilitate comparability between periods, and are believed to be relevant to external users for the same reason. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

These measures are reconciled to Loss Before Taxes from the consolidated statements of loss and comprehensive loss for FY 2020 and FY 2019. Adjusted Basic and Diluted Net Loss from Continued Operations per Common Share has been calculated using the same weighted average number of common shares outstanding included in the consolidated statements of loss and comprehensive loss for FY 2020. The reconciliation is as follows:

(expressed in thousands of Canadian dollars)	For the three months ended December 31 2020	For the three months ended December 31 2019	For the years ended December 31 2020	For the years ended December 31 2019
Loss Before Taxes	$ (17,946)	$ (5,428)	$ (44,087)	$ (6,890)
Subtract:				
Gain (loss) on embedded derivative asset	(6,270)	(807)	(21,728)	5,489
Adjusted Loss Before Taxes	(11,676)	(4,621)	(22,359)	(12,379)
Income Tax Provision (Recovery)	(2,129)	132	(5,517)	809
Adjusted Net Loss from Continued Operations	$ (9,547)	$ (4,753)	$ (16,842)	$ (13,188)
Adjusted Basic and Diluted Net Loss from Continued Operations per Common Share	$ (0.07)	$ (0.04)	$ (0.13)	$ (0.12)

Net Working Capital

Consolidated net working capital comprises those components of current assets and liabilities which support and result from the Corporation's ongoing running of its current operations. It is provided to give a quantifiable indication of the Corporation's short-term cash generation ability and business efficiency. As a measure linked to current operations and sustainability of the business, net working capital includes: cash and cash equivalents, accounts and other receivables, investments, inventories, and prepaid expenses and other, less accounts payable and accrued liabilities, lease liabilities, and environmental services contract loss provision. Excluded components are deferred revenue and flow-through share premium pending renunciation.

12. DISCLOSURE CONTROLS AND PROCEDURES

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

(i) pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions related to and dispositions of Alexco's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, and that Alexco receipts and expenditures are made only in accordance with authorizations of management and Alexco's directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Alexco assets that could have a material effect on Alexco's financial statements.

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

As required under National Instrument 52-109, management advises that during Q1 2020, the Corporation's employees began working remotely from home. This change required certain processes and controls that were previously done or documented manually to be completed and retained in electronic form. Despite the changes required by the current environment, there have been no significant changes in the Corporation's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Management assessed the effectiveness of Alexco's internal control over financial reporting as at December 31, 2020, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that Alexco's internal control over financial reporting was effective as at December 31, 2020.

The effectiveness of Alexco's internal control over financial reporting as at December 31, 2020 has been audited by PricewaterhouseCoopers LLP, Alexco's independent registered public accounting firm.

13. RISK FACTORS

The following are major risk factors management has identified which relate to the Corporation's business activities. Such risk factors, as well as risks not currently known to the Corporation or that the Corporation currently deems to be immaterial, could materially affect the Corporation's future business, financial condition, results of operations, earnings and prospects, and could cause events to differ materially from those described in forward-looking statements relating to the Corporation. Although the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Corporation's business and operations. Readers are encouraged to review other specific risk factors which are discussed elsewhere in this MD&A, as well as in the Corporation's consolidated financial statements (under the headings "Description of Business and Nature of Operations", "Significant Accounting Policies" and "Financial Instruments" and elsewhere within that document) and in the Corporation's Annual Information Form for the year ended December 31, 2020.

Negative Cash Flow From Operating Activities

The Corporation has not yet consistently achieved positive operating cash flow, and there are no assurances that the Corporation will not experience negative cash flow from operations in the future. The Corporation has incurred net losses in the past and may incur losses in the future and will continue to incur losses until and unless it can derive sufficient revenues from its mineral projects. Such future losses could have an adverse effect on the market price of the Corporation's common shares, which could cause investors to lose part or all of their investment.

Forward-Looking Statements May Prove Inaccurate

Readers are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements. See "Preliminary Notes – Cautionary Statement Regarding Forward-Looking Statements".

Dilution

The Corporation expects to require additional funds to finance its growth and development strategy. If the Corporation elects to raise additional funds by issuing additional equity securities, such financing may substantially dilute the interests of the Corporation's shareholders. The Corporation may also issue additional securities in the future pursuant to existing and new agreements in respect of its projects or other acquisitions and pursuant to existing securities of the Corporation.

Exploration, Evaluation and Development

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

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

Infrastructure

Mining, processing, development, and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation and or development of the Corporation's properties. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation and or development of the Corporation's properties will be commenced or completed on a timely basis, if at all; that the resulting operations will achieve the anticipated production volume; or that the construction costs and ongoing operating costs associated with the exploitation and or development of the Corporation's properties will not be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage, governmental or other interference in the maintenance or provision of such infrastructure could adversely affect the Corporation's operations and profitability.

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

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

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

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

Amendments to SPA with Wheaton

The amendments to the SPA with Wheaton, requires that to satisfy the completion test under the Amended SPA, the Corporation will need to recommence operations on the KHSD Property and operate the mine and mill at 400 tonnes per day on or before December 31, 2021. If the completion test is not satisfied by December 31, 2021, the outcome could materially adversely affect the Corporation as it would be required to pay a capacity related refund to Wheaton in the maximum amount of US$8.8 million. The Corporation would need to raise additional capital to finance the capacity related refund and there is no guarantee that the Corporation will be able to raise such additional capital. In the event that the Corporation cannot raise such additional capital, the Corporation will default under the terms of the Amended SPA. The valuation model for the embedded derivative asset related to the SPA with Wheaton is based on a number of assumptions. The value of the derivative asset as at December 31, 2020 is $13,074,000. If, for example, the Ag price was to increase to US$30 per ounce, and all other assumptions remained the same, the approximate derivative asset value would be $10,352,000.

Keno Hill Silver District

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

Mining Operations

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into mineral deposits with significant value. Decisions by the Corporation to proceed with the construction and development of mines are based on development plans which include estimates for metal production and capital and operating costs. Until completely mined and processed, no assurance can be given that such estimates will be achieved. Failure to achieve such production and capital and operating cost estimates or material increases in costs could have an adverse impact on the Corporation's future cash flows, profitability, results of operations and financial condition. The Corporation's actual production and capital and operating costs may vary from estimates for a variety of reasons, including: actual resources mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors, such as the need for sequential development of resource bodies and the processing of new or different resource grades; revisions to mine plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods, fire, rock falls and earthquakes, unusual or unexpected ground conditions, geological formation pressures, equipment failure and failure of retaining dams around tailings disposal areas which may result in, among other adverse effects, environmental pollution and consequent liability; and unexpected labour shortages or strikes. Costs of production may also be affected by a variety of factors, including changing waste ratios, metallurgical recoveries, labour costs, commodity costs, general inflationary pressures and currency rates. In addition, the risks arising from these factors are further increased while any such mine is progressing through the ramp-up phase of its operations and has not yet established a consistent production track record. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

Employee Recruitment and Retention

Recruitment and retention of skilled and experienced employees is a challenge facing the mining sector as a whole, particularly in light of the COVID-19 pandemic. During the late 1990s and early 2000s, with unprecedented growth in the technology sector and an extended cyclical downturn in the mining sector, the number of new workers entering the mining sector was depressed and significant number of existing workers departed, leading to a so-called "generational gap" within the industry. Since the mid-2000s, this factor was exacerbated by competitive pressures as the mining sector experienced an extended cyclical upturn. Re-starting mining operations is necessitating the hiring and retention of mine and mill personnel. It may be difficult for Alexco to find and hire qualified people in the mining industry who are situated in the Yukon, or to obtain all of the necessary services or expertise in Yukon or to conduct operations on Alexco's projects at reasonable rates. If qualified people and services or expertise cannot be obtained in the Yukon, the Corporation may need to seek and obtain those services from people located outside of this area, which may require work permits and compliance with applicable laws and could result in delays and higher costs. However, hiring outside of the Yukon may also be challenging due to the ongoing COVID-19 pandemic and travel restrictions that limit travel between territories, provinces and countries. See "Risk Factors – Public Health Crisis".

Dependence on Management

The success of the operations and activities of the Corporation is dependent to a significant extent on the efforts and abilities of its management team. The Corporation does not maintain key employee insurance on any of its employees. The Corporation depends on key personnel and cannot provide assurance that it will be able to retain such personnel. Failure to retain such key personnel could have a material adverse effect on the Corporation's business and financial condition.

Permitting and Environmental Risks and Other Regulatory Requirements

The current or future operations of the Corporation, including development activities and commencement of production on its properties require permits or licenses from various federal, territorial and other governmental authorities, and such operations are and will be governed by laws, regulations and agreements governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities and in mine reclamation and remediation activities generally experience increased costs and delays as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits and permit modifications, which the Corporation may require for the conduct of its operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any project which the Corporation might undertake. Specifically, the Corporation plans to increase production at the District to 550 t/d pursuant to the PFS, which requires an amendment to the Quartz Mining License. There can be no guarantee that the Corporation will receive the amendment. Additionally, delays in receiving any requisite license amendment could adversely affect the Corporation's profitability.

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

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

Surety Bonding Risks

Alexco secures its obligations for reclamation and closure costs with surety bonds provided by leading global insurance companies in favour of regulatory authorities in the Yukon. These surety bonds include the right of the surety bond provider to terminate the relationship with Alexco on providing notice of up to 90 days. The surety bond provider would, however, remain liable to the regulatory authorities for all bonded obligations existing prior to the termination of the bond in the event Alexco failed to deliver alternative security satisfactory to the regulator. Alexco may require additional capital to accomplish its exploration and development plans and fund strategic growth and there can be no assurance that financing will be available on terms acceptable to Alexco, or at all. Alexco may require additional financing to advance the Keno Hill Silver District to commercial production. This potential financing requirement could adversely affect Alexco's ability to access the capital markets in the future. Failure to obtain sufficient financing, or financing on terms acceptable to Alexco, may result in a delay or indefinite postponement of exploration, development or production at its properties. Additional financing may not be available when needed and the terms of any agreement could impose restrictions on the operation of the Corporation's business. Failure to raise financing when needed could have a material adverse effect on the business, financial condition, results of operations and prospects.

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

The potential profitability of mineral properties is dependent upon many factors beyond the Corporation's control. For instance, world prices of and markets for gold, silver, lead and zinc are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments – including international trade restrictions. During the year ended December 31, 2020 and 2021, the prices of silver, lead and zinc have been extremely volatile. Another factor is that rates of recovery may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, materials, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways the Corporation cannot predict and are beyond the Corporation's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Mine site and maintenance costs during 2020 totaled $9,501,000 compared with $2,062,000 for 2019. The costs in 2020 were primarily related to rehabilitation and dewatering work at the Bellekeno mine in preparation for initial ore production and non-capital refurbishment work at Keno Hill in preparation for mill commissioning while the 2019 expenditures were significantly less due to the reduced level of activity in 2019. Additionally, due to worldwide economic uncertainty, as well as the continued COVID-19 pandemic, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of the Corporation.

First Nation Rights and Title

The nature and extent of First Nation rights and title remains the subject of active debate, claims and litigation in Canada, including in the Yukon. Intergovernmental relations between First Nation authorities and federal, provincial and territorial authorities is evolving. There can be no guarantee that such claims and uncertainties will not cause permitting delays, unexpected interruptions or additional costs for the Corporation's projects. These risks may have increased after the Supreme Court of Canada decision of June 26, 2014 in Tsilhqot'in Nation v. British Columbia.

Title to Mineral Properties

The acquisition of title to mineral properties is a complicated and uncertain process. The properties may be subject to prior unregistered agreements of transfer, or land claims, and title may be affected by undetected defects. Although the Corporation has made efforts to ensure that legal title to its properties is properly recorded in the name of the Corporation, there can be no assurance that such title will ultimately be secured. As a result, the Corporation may be constrained in its ability to operate its mineral properties or unable to enforce its rights with respect to its mineral properties. An impairment to or defect in the Corporation's title to its mineral properties would adversely affect the Corporation' business and financial condition.

Capitalization and Commercial Viability

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

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period reported. Actual outcomes could differ from these estimates. The Corporation's consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Significant judgments about the future and other sources of estimation uncertainty at the financial position reporting date, including those that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made include, but are not limited to, uncertainties and assumptions with respect to mineral reserves and mineral resource estimates, impairment and impairment reversals of non-current non-financial assets, decommissioning and rehabilitation provision, and the fair value of derivatives. If the Corporation's management rely on the information in the financial statements in making certain decisions, which information later proves to be inaccurate, it could have an adverse effect on the operating results of the Corporation.

The Corporation prepares budgets and estimates of cash costs and capital costs for its operations. Despite the Corporation's best efforts to budget and estimate such costs, the costs required by the Corporation's projects may be significantly higher than anticipated. The Corporation's actual costs may vary from estimates for a variety of reasons, including: short-term operating factors; risk and hazards associated with mining; continued impact of the COVID-19 pandemic on the economy; natural phenomena, such as inclement weather conditions and unexpected labour shortages or strikes. Operational costs may also be affected by a variety of factors, including: ore grade metallurgy, labour costs, the cost of commodities, general inflationary pressures and currency exchange rates. Many of these factors are beyond the Corporation's control. Failure to achieve estimates or material increases in costs could have an adverse impact on the Corporation's business, results of operations and financial condition. Furthermore, delays in mining projects or other technical difficulties may result in even further capital expenditures being required. Any delays or costs overruns or operational difficulties could have a material adverse effect on the Corporation's business, results of operations and financial condition.

General Economic Conditions May Adversely Affect the Corporation's Growth and Profitability

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

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

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

Operating Hazards and Risks

In the course of exploration, development and production of mineral properties, certain risks, including but not limited to unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. It is not always possible to fully insure against such risks and the Corporation may decide not to insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

Adverse weather conditions could also disrupt the Corporation's environmental services business and/or reduce demand for the Corporation's services.

Competition

Significant and increasing competition exists for mining opportunities internationally. There are a number of large established mining companies with substantial capabilities and far greater financial and technical resources than the Corporation. The Corporation may be unable to acquire additional attractive mining properties on terms it considers acceptable and there can be no assurance that the Corporation's exploration and acquisition programs will yield any reserves or result in any commercial mining operation.

Certain of the Corporation's Directors and Officers: Involvement with Other Natural Resource Companies

Some of the Corporation's directors and officers are directors or officers of other natural resource or mining-related companies. These associations may give rise to conflicts of interest from time to time. As a result of these conflicts of interest, the Corporation may miss the opportunity to participate in certain transactions.

The Corporation May Fail to Maintain Adequate Internal Control Over Financial Reporting Pursuant to the Requirements of the Sarbanes-Oxley Act

Section 404 of the Sarbanes-Oxley Act ("**SOX**") requires an annual assessment by management of the effectiveness of the Corporation's internal control over financial reporting. The Corporation may fail to maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented or amended from time to time, and the Corporation may not be able to ensure that it can conclude, on an ongoing basis, that it has effective internal control over financial reporting in accordance with Section 404 of SOX. The Corporation's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Corporation's business and negatively impact the trading price or the market value of its securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's operating results or cause it to fail to meet its reporting obligations. Future acquisitions of companies, if any, may provide the Corporation with challenges in implementing the required processes, procedures and controls in its acquired operations. No evaluation can provide complete assurance that the Corporation's internal control over financial reporting will detect or uncover all failures of persons within the Corporation to disclose material information otherwise required to be reported. The effectiveness of the Corporation's processes, procedures and controls could also be limited by simple errors or faulty judgments. Although the Corporation intends to expend substantial time and incur substantial costs, as necessary, to ensure ongoing compliance, there is no certainty that it will be successful in complying with Section 404 of SOX.

Exemption from Section 14 proxy rules and Section 16 of the Securities Exchange Act of 1934

The Corporation is a "foreign private issuer" as defined in Rule 3b-4 under the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). Equity securities of the Corporation are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the U.S. Exchange Act pursuant to Rule 3a12-3 of the U.S. Exchange Act. Therefore, the Corporation is not required to file a Schedule 14A proxy statement in relation to the annual meeting of shareholders. The submission of proxy and annual meeting of shareholder information on Form 6-K may result in shareholders having less complete and timely information in connection with shareholder actions. The exemption from Section 16 rules regarding reports of beneficial ownership and purchases and sales of common shares by insiders and restrictions on insider trading in the Corporation's securities may result in shareholders having less data and there being fewer restrictions on insiders' activities in the Corporation's securities.

Enforcement of judgments

The Corporation is a Canadian corporation and certain of its directors, officers and experts are neither citizens nor residents of the United States. A substantial part of the assets of the Corporation and of certain of these persons are located outside the United States. As a result, it may be difficult or impossible for an investor:

- to enforce in courts outside the United States judgments obtained in United States courts based upon the civil liability provisions of United States federal securities laws against these persons and the Corporation; or

- to bring in courts outside the United States an original action to enforce liabilities based upon United States federal securities laws against these persons and the Corporation.

Information Systems and Cyber Security

The Corporation's information systems, and those of its suppliers and other counterparties, are vulnerable to an increasing threat of continually evolving cyber security risks. Unauthorized parties may attempt to gain access to these systems or the Corporation's information through fraud or other means of deceiving the Corporation's counterparties.

The Corporation's operations depend, in part, on how well the Corporation and its counterparties protect networks, equipment, information technology systems and software against damage from a number of threats. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Corporation's reputation and results of operations.

There can be no assurance that the Corporation will not incur any material losses relating to cyber-attacks or other information security breaches in the future. The Corporation's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain an area of attention.

Public Health Crisis

The Corporation's business, operations and financial condition could be materially and adversely affected by the outbreak of epidemics or pandemics or other health crises, including the recent outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in a number of countries including Canada, the United States, Europe and Asia. The outbreak has caused companies and various international jurisdictions to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary and a number of jurisdictions, including in Canada and the United States, have started to lift certain COVID-19 related restrictions, the duration of the various disruptions to businesses locally and internationally and the related financial and other impacts cannot be reasonably estimated at this time. Such public health crises can result in volatility and disruptions in the supply and demand for silver and other metals and minerals, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk, share prices and inflation.

The risks to the Corporation of such public health crises also include risks to employee health and safety, additional slowdowns or temporary suspensions of operations in geographic locations impacted by an outbreak, increased labor, transportation and fuel costs, regulatory changes, political or economic instabilities or civil unrest. At this point, the extent to which COVID-19 will or may impact the Corporation is uncertain and these factors are beyond the Corporation's control; however, it is likely that any future outbreaks of COVID-19, particularly if there are any increased cases of COVID-19 in British Columbia and the Yukon Territory, may have a material adverse effect on the Corporation's business, results of operations and financial condition.

The Corporation continues to have in place a COVID-19 management and response plan. As the Corporation advances into Keno Hill's final development and operations phase, the management plan will continue to be modified as conditions change including government restrictions and protocols. As of March 11, 2021, Yukon has in place a 14-day self-isolation requirement for all persons entering the Yukon regardless of jurisdiction. The Corporation was granted an alternative self-isolation plan to allow Keno Hill employees to self-isolate at the mine site camp accommodations. The protocols that are expected to continue during the development and production phases include:

- Registered nurse on staff at Keno Hill at all times;
- Anyone arriving at site completes COVID-19 pre-screen questionnaire, temperature recorded, cleared by medic;
- Separate air charters for Yukon resident employees to reduce interaction with employees from other jurisdictions;
- Separate camp accommodation for Yukon resident employees to reduce interaction with employees from other jurisdictions;
- No non-essential visitors at site;
- Delivery drivers not permitted in camp/facilities and must remain in truck;
- Work being conducted remotely when possible;
- Only Yukon resident employees allowed in the dining hall and use of the gym recreation facilities;
- Mandatory hand washing and use of hand sanitizer every time personnel enter the dining hall;
- Increasing disinfecting frequency in the bunkhouse and dining hall;
- Sanitation wipes are available in the gym and phone room and must be used;

- Isolation buildings and rooms have been established along with procedures to deal with any potential COVID-19 cases;
- Contingency plans have been established for case management;
- For travel days, physical distancing is maximized to the greatest extent possible;
- Reducing the number of workers in any one vehicle;
- Avoiding non-essential travel to remote communities.

Delays related to COVID-19 could affect the Corporation's ability to advance development and reach production with such risks to include challenges in recruiting and retaining staff and personnel, restricted access for employees and contractors at the mine site, equipment and materials not being delivered to site on schedule or at all, and further inefficiencies required to be put in place to health and safety resulting in less productivity.

14. CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities laws (together, "forward-looking statements") concerning the Corporation's business plans, including but not limited to anticipated results and developments in the Corporation's operations in future periods, planned exploration and development of its mineral properties, plans related to its business and other matters that may occur in the future, made as of the date of this MD&A.

Forward-looking statements may include, but are not limited to, statements with respect to additional capital requirements to fund further exploration and development work on the Corporation's properties, future remediation and reclamation activities, future mineral exploration, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, future mine construction and development activities, future mine operation and production, the timing of activities, the amount of estimated revenues and expenses, the success of exploration activities, permitting timelines, requirements for additional capital and sources, uses of funds, and the Company's ability to successfully withstand the impact of the COVID-19 pandemic. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "estimates", "intends", "strategy", "goals", "objectives" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be "forward-looking statements".

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements. Such factors include, but are not limited to, risks related to actual results and timing of exploration and development activities; actual results and timing of exploration, development and mining activities; inability of the Corporation to finance the development of its mineral properties; uncertainty of capital costs, operating costs, production and economic returns; actual results and timing of environmental services operations; actual results and timing of remediation and reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of silver, gold, lead, zinc and other commodities; uncertainties relating to the interpretation of drill results, the geology, grade and continuity of the Corporation's mineral deposits; possible variations in resources, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; the Corporation's need to attract and retain qualified management and technical personnel; accidents, labour disputes and other risks of the mining industry; First Nation rights and title; continued capitalization and commercial viability; global economic conditions; competition; risks related to governmental regulation, including environmental regulation; delays or inability of the Corporation in obtaining governmental approvals necessary to develop and operate mines on the Corporation's properties; inability of the Corporation to obtain additional financing needed to fund certain contingent payment obligations on reasonable terms or at all; variations in interest rates and foreign exchange rates; and the impact of COVID-19 and the instability thereof, including disruption or delay of exploration and mining activities. Furthermore, forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Corporation or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including but not limited to those referred to in this MD&A under the heading "Risk Factors" and elsewhere.

Forward-looking statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and certain assumptions that management believes are reasonable at the time they are made. In making the forward-looking statements included in this MD&A, the Corporation has applied several material assumptions, including, but not limited to, the assumption that: (1) additional financing may be needed to fund certain contingent payment obligations to Wheaton; (2) additional financing needed for the capacity related refund under the Amended SPA with Wheaton will be available on reasonable terms; (3) additional financing needed for further exploration and development work on the Corporation's properties will be available on reasonable terms; (4) the proposed development of its mineral projects will be viable operationally and economically and proceed as planned; (5) market fundamentals will result in sustained silver, gold, lead and zinc demand and prices, and such prices will not be materially lower than those estimated by management in preparing the annual financial statements for the year ended December 31, 2020; (6) market fundamentals will result in sustained silver, gold, lead and zinc demand and prices, and such prices will be materially consistent with or more favourable than those anticipated in the PFS; (7) the actual nature, size and grade of its mineral reserves and mineral resources are materially consistent with the mineral reserve and mineral resource estimates reported in the supporting technical reports, including the PFS; (8) labour and other industry services will be available to the Corporation at prices consistent with internal estimates; (9) the continuances of existing and, in certain circumstances, proposed tax and royalty regimes; and (10) that other parties will continue to meet and satisfy their contractual obligations to the Corporation. Statements concerning mineral reserve and mineral resource estimates may also be deemed to constitute forward-looking information to the extent that they involve estimates of the mineralization that will be encountered as the Keno Hill project is developed. Other material factors and assumptions are discussed throughout this MD&A and, in particular, under the headings "*Critical Accounting Estimates and Judgments*" and "*Risk Factors*".

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

15. SUMMARY OF MINERAL RESERVE AND RESOURCE ESTIMATES

The following tables sets forth the estimated Probable Mineral Reserves and Mineral Resources for the Corporation's mineral properties within the KHSD:

Summary of Mineral Reserves Estimates

Category [1,2,4]	Property	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Contained Ag (oz)
Probable	Bellekeno[3]	40,109	843	-	11.8	6.3	1,087,000
	Lucky Queen[3]	70,717	1,244	0.12	2.6	1.4	2,828,000
	Flame & Moth[3]	704,211	672	0.49	2.7	5.7	15,215,000
	Bermingham[3]	362,343	972	0.13	2.6	1.3	11,323,000
Total Probable Mineral Reserves		**1,177,380**	**804**	**0.34**	**3.0**	**4.1**	**30,453,000**

1. *All mineral reserves for this table have the effective date of March 28, 2019 and are classified following the CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014), in accordance with the CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines and the guidelines of NI 43-101.*
2. *All numbers have been rounded to reflect the relative accuracy of the estimates.*
3. *The Bellekeno, Lucky Queen, Flame & Moth and Bermingham deposits are incorporated into the current mine plan supported by disclosure in the news release dated March 28, 2019 entitled "Alexco Announces Positive Pre-Feasibility Study for Expanded Silver Production at Keno Hill Silver District" and the PFS filed on SEDAR dated February 13, 2020 with an effective date of March 28, 2019.*
4. *The disclosure regarding the summary of Probable Mineral Reserves for Alexco's mineral properties within the Keno Hill District has been reviewed and approved by Neil Chambers, P.Eng., Mine Superintendent and a Qualified Person as defined by NI 43-101.*

Summary of Indicated and Inferred Resource Estimates

Category [1,2,3,7,9]	Property	Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Contained Ag (oz)
Indicated	Bellekeno[2,4&5]	262,000	585	*n/a*	3.5	5.3	4,928,000
	Lucky Queen[2,4&6]	132,300	1,167	*0.2*	2.4	1.6	4,964,000
	Flame & Moth[2,4&6]	1,679,000	498	*0.4*	1.9	5.3	26,883,000
	Onek[4&6]	700,200	191	*0.6*	1.2	11.9	4,300,000
	Bermingham[2,4&5]	1,102,300	930	*0.1*	2.4	1.7	32,959,000
Total Indicated Sub-Surface Deposits		**3,875,800**	**594**	**0.3**	**2.0**	**5.3**	**74,034,000**
	Elsa Historical Tailings[7]	2,490,000	119	0.1	1.0	0.7	9,527,000
Total Indicated All Deposits		**6,365,800**	**408**	**0.3**	**1.6**	**3.5**	**83,561,000**
Inferred	Bellekeno[4&5]	243,000	428	n/a	4.1	5.1	3,344,000
	Lucky Queen[4&6]	257,900	473	0.1	1.0	0.8	3,922,000
	Flame & Moth[4&6]	365,200	356	0.3	0.5	4.3	4,180,000
	Onek[4&6]	285,100	118	0.4	1.2	8.3	1,082,000
	Bermingham[4&5]	509,400	717	0.2	1.7	1.5	11,743,000
Total Inferred		**1,660,600**	**455**	**0.2**	**1.6**	**3.7**	**24,271,000**

1. *All Mineral Resources, except the Elsa Historical Tailings Resource, are classified following the CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014) of NI 43-101.*
2. *Indicated Mineral Resources are inclusive of Mineral Reserves estimates.*
3. *Mineral Resources are not all Mineral Reserves and do not have demonstrated economic viability. All numbers have been rounded to reflect the relative accuracy of the estimates.*
4. *The Mineral Resource estimates comprising Bellekeno, Lucky Queen and Flame & Moth, Onek and Bermingham are supported by disclosure in the news release dated March 28, 2019 entitled "Alexco Announces Positive Pre-Feasibility Study for Expanded Silver Production at Keno Hill Silver District" and the technical report filed on SEDAR dated February 13, 2020 with an effective date of March 28, 2019.*
5. *The mineral resource estimate for the Bermingham and Bellekeno deposits are based on mineral resource estimates having an effective date of March 28, 2019. The Bellekeno deposit has been depleted to reflect all mine production from the Bellekeno mine to date.*
6. *The mineral resource estimate for the Lucky Queen, Flame & Moth and Onek deposits have an effective date of January 3, 2017.*
7. *The mineral resource estimate for the Elsa Tailings has an effective date of April 22, 2010 and is supported by the technical report dated June 16, 2010 entitled "Mineral Resource Estimation, Elsa Tailings Project, Yukon, Canada". The Elsa Historical Tailings Resource is classified following the CIM Definition Standards for Mineral Resources and Mineral Reserves (December 2005 of NI 43-101.*
8. *The disclosure regarding the summary of estimated Mineral Resources for Alexco's mineral properties within the Keno Hill District has been reviewed and approved by Dr. Gilles Arseneau, P.Geo (Lucy Queen, Flame & Moth, and Onek deposits), Cliff Revering, P.Eng (Bermingham deposit), and David Farrow, P.GEO.PrSciNat (Bellekeno deposit), Qualified Persons as defined by NI 43-101.*

Summary of Historical Resource Estimates

		Tonnes	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Contained Ag (oz)
Historical Resources	Silver King[1,2]						
	Proven, probable and indicated	**99,000**	***1,354***	***n/a***	**1.6%**	**0.1%**	**4,310,000**
	Inferred	**22,500**	***1,456***	***n/a***	**0.1%**	***n/a***	**1,057,000**

1. *Historical resources for Silver King were estimated by UKHM, as documented in an internal report entitled "Mineral Resources and Mineable Ore Reserves" dated March 9, 1997. The historical resources were estimated based on a combination of surface and underground drill holes and chip samples taken on the vein and calculated using the polygonal (block) model and the 1997 CIM definitions for resource categories. Verification of the estimate would require new drill holes into a statistically significant number of the historical resource blocks and/or a combination of on-vein sampling. A Qualified Person (as defined by NI 43-101) has not done sufficient work to classify this estimate of historical resources as current Mineral Resources or Mineral Reserves, nor is Alexco treating this historical estimate as current Mineral Rresources or Mineral Reserves.*
2. *The disclosure regarding the summary of historical Mineral Resources for Alexco's mineral properties within the Keno Hill District has been reviewed and approved by Neil Chambers, P.Eng., Mine Superintendent and a Qualified Person as defined by NI 43-101.*

16. TECHNICAL DISCLOSURE CAUTIONARY NOTE TO U.S. INVESTORS – INFORMATION CONCERNING PREPARATION OF RESOURCE ESTIMATES

The material scientific and technical information in respect of Alexco's KHSD project in the MD&A, unless otherwise indicated, is based upon the information contained in the PFS. Readers are encouraged to read the PFS, which is available under the Corporation's profile on SEDAR, for detailed information concerning KHSD. All disclosure contained in this MD&A regarding the Mineral Reserves and Mineral Resource estimates and economic analysis on the property is fully qualified by the full disclosure contained in the PFS.

A production decision which is made without a feasibility study of Mineral Reserves demonstrating economic and technical viability carries additional potential risks which include, but are not limited to, the risk that additional detailed work may be necessary with respect to mine design and mining schedules, metallurgical flow sheets and process plant designs, and the noted inherent risks pertaining to the inclusion of approximately 2% Inferred Mineral Resources (as defined herein) in the mine plan.

This MD&A has been prepared in accordance with the requirements of Canadian provincial securities laws, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all mineral reserve and mineral resource estimates included have been prepared in accordance with Canadian National Instrument 43-101— *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "**CIM**") – *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. NI 43-101 is an instrument developed by the Canadian securities administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These definitions differ from the definitions in requirements under United States securities laws adopted by the United States Securities and Exchange Commission (the "**SEC**").

Under Canadian rules, estimates of Inferred Mineral Resources (as defined herein) may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. An "Inferred Mineral Resource" is that part of a mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource (as defined herein) and must not be converted to a mineral reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

Investors are cautioned not to assume that all or any part of mineral reserves and mineral resources determined in accordance with NI 43-101 and CIM standards will qualify as, or be identical to, mineral reserves and mineral resources estimated under the standards of the SEC applicable to U.S. companies. The SEC has adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC. As a foreign private issuer that files its annual report on Form 40-F with the SEC pursuant to the multi-jurisdictional disclosure system, the Corporation is not required to provide disclosure on its mineral properties under the SEC's new rules and will continue to provide disclosure under NI 43-101 and the CIM standards. If the Corporation ceases to be a foreign private issuer or lose its eligibility to file its annual report on Form 40-F pursuant to the multi-jurisdictional disclosure system, then the Corporation will be subject to the SEC's new rules, which differ from the requirements of NI 43-101 and the CIM standards.

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

Additional Information

Additional information relating to Alexco, including Alexco's Annual Information Form for the year ended December 31, 2020 can be found on the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.alexcoresource.com and the Edgar website at www.sec.gov.

Senior Management

Clynton Nauman, BSc (Hons)
Chairman & Chief Executive Officer

Brad Thrall, BSc, MBA
President

Michael Clark, CPA, CA
Chief Financial Officer &
Corporate Secretary

Paul Jones
Sr. Vice President, Corporate Development

Alan McOnie, MSc (Geology), FAusIMM
Vice President, Exploration

Gordon Wong, CPA, CA
Vice President, Finance

Linda Broughton
Vice President, Technical Services

Investor Relations

Kettina Cordero, *Director*

Board of Directors

Clynton Nauman, Chairman
Richard Zimmer, P.Eng., MBA
Elaine Sanders, CA, CPA
Terry Krepiakevich, CPA, CA, ICD.D.
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Vancouver, British Columbia

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