

Bellekeno Mine Project Economic Impact Analysis Report

Submitted to:

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Table of Contents

1.0 Introduction1

2.0 Analysis Summary1

3.0 Local Impact Model Assumptions and Limitations2

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1.0 Introduction

This report presents the results of a local economic impact analysis of the proposed Bellekeno mine project using Informetrica’s Local Impact Model. Alexco Resource Corp. is the Bellekeno mine project proponent.

The analysis focused on two types of economic impact:

- 1) The change in expenditures on labour, goods and services in the Yukon.
- 2) The change in employment in the Yukon, expressed in person-years of employment created.

2.0 Analysis Summary

Calculated Impacts for Yukon - Life of Mine

Yukon Expenditure Impact (\$millions)

Yukon Labour Expenditure Impact	13.1
Yukon Non-Labour Expenditure Impact	24.1
Induced Impact of Total Yukon Expenditures	5.6
Total Expenditure Impacts	42.7

Yukon Employment Impact (Person-Years)

Total Yukon Employment Impact	281
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Key Data and Assumptions

- The analysis is based on data found in the *Bellekeno Preliminary Economic Assessment Technical Report*, dated June 30, 2008.
- The Bellekeno project is underground mine with a silver-lead-zinc ore mill capacity of 408 tonnes per day.
- The mine has a five year operating life.
- Approximately 104 people will be employed at the mine on an annual basis with 56 (54%) assumed to be resident in the Yukon. (Given the relatively small size of the Bellekeno mine and a proximate population of 250 in Mayo [2006 Census], 54% of the mine labour force assumed to be from Yukon; this is twice the rate of 27% used for the Selwyn and Mactung analysis).
- Total net revenues over the life of the mine are expected to total \$US318.6 million.
- Gross labour expenditures will total \$48.4 million over the life of the mine.
- Operating expenditures exclusive of labour over the life of the mine will total \$59.1 million, with their allocation outlined below:

LOM Operating Expenditures	\$ millions	Local Expenditure Share (%)	Import Leakage Factor (%)	Retained Expenditure Share (%)
General and Administration	8.6	80	20	64
Underground Mining	34.7	80	80	16
Milling - consumables	4.2	50	80	10
Milling - maintenance supplies	3.7	50	80	10
Milling - power supply	7.8	95	20	76
Milling - other costs	0.3	80	80	16
Total	59.1			

Note: Local expenditure shares represent the portion of spending transactions that occur within the Yukon. The import leakage factors account for the reality that even if project inputs are purchased within the Yukon, local suppliers have themselves imported the inputs into the territory for sale to the project proponent. Local expenditures shares are multiplied by one minus the import leakage factor to arrive at the retained expenditure shares which indicate the portion of project expenditures that are ultimately retained in the Yukon economy.

- Capital costs (including sustaining capital) will total \$62.9 million over the life of the mine. Fifty percent of capital expenditures were assumed to be made locally, with an import leakage factor of 80% being applied. The resulting retained expenditure share is 10%.
- An income multiplier of 1.15 was used for the calculation of induced expenditures. (Use of multiplier of 1.15 instead of 1.28 per discussions with Prof. Wade Locke, March 6, 2008).

3.0 Local Impact Model Assumptions and Limitations

- The Local Impact Model (LIM) requires a definition of the boundaries of the "local" area of interest. For this analysis, the Yukon is defined as the local area.
- The LIM Handbook notes that “the economic impact model is tailored mainly for assessing the impacts of a single organization for a single year”. For this analysis, the "period of interest" is defined as the estimated duration of the mine construction phase and production phase.
- All operating revenues from the Bellekeno mine will be derived from the sale of silver-lead concentrate and zinc concentrate.
- The analysis was based on data found in the *Bellekeno Preliminary Economic Assessment Technical Report*, dated June 30, 2008. Additional technical and economic analysis by Alexco Resource Corp. may result in actual mine development based on a revised or alternative scenario.
- Information provided by Alexco Resource Corp. is considered preliminary and is subject to revision.
- Disclosure of information by Alexco Resource Corp. for this analysis is constrained by National Instrument 43-101 disclosure requirements.
- Cost information was not adjusted for inflation, price escalations or other factors.