



(A Development-Stage Company)

Condensed Interim Consolidated Financial Statements
For the nine month period ended September 30, 2019
(in Canadian dollars)
(Unaudited)

Alderon Iron Ore Corp.

Condensed Interim Consolidated Statements of Financial Position

(in Canadian dollars)

(Unaudited)

	As of September 30, 2019	As of December 31, 2018
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 16)	2,123,066	6,033,848
Short-term investments (note 16)	1,014,765	1,001,249
Receivables	25,601	25,151
Prepaid expenses	53,340	46,959
Total current assets	3,216,772	7,107,207
Non-current assets		
Mineral properties (note 3)	99,229,048	99,053,952
Property, plant and equipment (note 4)	16,265,632	16,164,434
Total non-current assets	115,494,680	115,218,386
Total assets	118,711,452	122,325,593
LIABILITIES		
Current liabilities		
Payables and accrued liabilities (note 5)	9,169,990	9,415,382
Due to related parties (note 9)	307,783	402,661
Loan facility (note 7)	18,146,005	17,594,412
Lease liability (note 8)	52,650	-
	27,676,428	27,412,455
Non-current liabilities		
Lease liability (note 8)	52,875	-
Total liabilities	27,729,303	27,412,455
EQUITY		
Share capital (note 11)	266,550,328	266,251,666
Other capital (notes 10, 12 and 13)	27,168,638	27,228,541
Deficit	(213,756,542)	(209,922,260)
Equity attributable to owners of the parent	79,962,424	83,557,947
Non-controlling interest	11,019,725	11,355,191
Total equity	90,982,149	94,913,138
Total liabilities and equity	118,711,452	122,325,593

Nature of operations and going concern (note 1)

Commitments and contingencies (note 18)

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

Approved by the Board of Directors

"Adrian Loader"

Adrian Loader
Director

"David Porter"

David Porter
Director

Alderon Iron Ore Corp.

Condensed Interim Consolidated Statements of Changes in Equity
For the nine month periods ended September 30, 2019 and 2018

(in Canadian dollars, except share data)

(Unaudited)

	Attributable to owners of the parent				Non- controlling interest	Total
	Common shares (number)	Share capital \$	Other capital \$	Deficit \$		
Balance – January 1, 2018	132,638,517	264,486,581	26,125,059	(204,859,976)	12,864,109	98,615,773
Issuance of common shares – executive compensation (note 11)	833,333	241,666	-	-	-	241,666
Issuance of common shares – establishment fee on loan facility (notes 7 and 11)	4,811,030	1,539,530	-	(384,882)	384,882	1,539,530
Share issue costs (note 11)	-	(16,111)	-	-	-	(16,111)
Share-based compensation costs – compensation options (notes 7 and 13)	-	-	208,765	(52,191)	52,191	208,765
Share-based compensation costs – stock options (note 12)	-	-	773,586	-	-	773,586
Share-based compensation costs – deferred share units (note 10)	-	-	68,598	-	-	68,598
Net loss and comprehensive loss	-	-	-	(3,083,481)	(764,066)	(3,847,547)
Total contributions by and distributions to owners	5,644,363	1,765,085	1,050,949	(3,520,554)	(326,993)	(1,031,513)
Balance – September 30, 2018	138,282,880	266,251,666	27,176,008	(208,380,530)	12,537,116	97,584,260

Alderon Iron Ore Corp.

Condensed Interim Consolidated Statements of Changes in Equity
For the nine month periods ended September 30, 2019 and 2018

(in Canadian dollars, except share data)

(Unaudited)

	Attributable to owners of the parent				Non- controlling interest	Total
	Common shares	Share capital	Other capital	Deficit		
	(number)	\$	\$	\$	\$	\$
Balance – January 1, 2019	138,282,880	266,251,666	27,228,541	(209,922,260)	11,355,191	94,913,138
Issuance of common shares – stock options exercised (notes 11 and 12)	420,916	113,354	(68,354)	-	-	45,000
Issuance of common shares – deferred share units (notes 10 and 11)	649,690	191,074	(191,074)	-	-	-
Share issue costs (note 11)	-	(5,766)	-	-	-	(5,766)
Share-based compensation costs – stock options (note 12)	-	-	42,357	-	-	42,357
Share-based compensation costs – deferred share units (note 10)	-	-	157,168	-	-	157,168
Net loss and comprehensive loss	-	-	-	(3,834,282)	(335,466)	(4,169,748)
Total contributions by and distributions to owners	1,070,606	298,662	(59,903)	(3,834,282)	(335,466)	(3,930,989)
Balance – September 30, 2019	139,353,486	266,550,328	27,168,638	(213,756,542)	11,019,725	90,982,149

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

Alderon Iron Ore Corp.

Condensed Interim Consolidated Statements of Comprehensive Loss
For the three and nine month periods ended September 30, 2019 and 2018

(in Canadian dollars, except share and per share data)
(Unaudited)

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Operating expenses (note 14)				
General and administrative expenses	484,128	517,301	1,695,234	2,637,563
Project maintenance expenses	193,440	318,622	582,882	915,287
Government and community relations expenses	1,537	66,965	55,356	217,889
Foreign exchange loss (gain)	257,319	(277,251)	(613,798)	(31,966)
	<u>936,424</u>	<u>625,637</u>	<u>1,719,674</u>	<u>3,738,773</u>
Loss from operations	(936,424)	(625,637)	(1,719,674)	(3,738,773)
Gain on modification of convertible debt (note 6)	-	-	-	1,929,743
Finance income	10,195	26,065	43,433	103,811
Finance costs (notes 6, 7, and 8)	(851,049)	(752,661)	(2,493,507)	(2,142,328)
Net finance costs	<u>(840,854)</u>	<u>(726,596)</u>	<u>(2,450,074)</u>	<u>(108,774)</u>
Net loss and comprehensive loss	(1,777,278)	(1,352,233)	(4,169,748)	(3,847,547)
Attributable to:				
Owners of the parent	(1,295,010)	(1,347,420)	(3,834,282)	(3,083,481)
Non-controlling interest	(482,268)	(4,813)	(335,466)	(764,066)
	<u>(1,777,278)</u>	<u>(1,352,233)</u>	<u>(4,169,748)</u>	<u>(3,847,547)</u>
Loss per share				
Basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.03)</u>	<u>(0.02)</u>
Weighted average number of shares outstanding				
Basic and diluted	<u>139,322,518</u>	<u>137,759,942</u>	<u>138,694,301</u>	<u>134,776,506</u>

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

Alderon Iron Ore Corp.

Condensed Interim Consolidated Statements of Cash Flows

For the three and nine month periods ended September 30, 2019 and 2018

(in Canadian dollars)

(Unaudited)

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss	(1,777,278)	(1,352,233)	(4,169,748)	(3,847,547)
Adjustments for:				
Gain on modification of convertible debt (note 6)	-	-	-	(1,929,743)
Share-based compensation costs (notes 10 and 12)	36,003	59,483	199,525	842,184
Unrealized foreign exchange loss (gain) (note 7)	209,951	(230,618)	(519,986)	(230,618)
Revised fair value of common shares issued (note 11)	-	-	-	41,666
Depreciation (note 4)	13,550	252	40,649	587
Finance income	(10,195)	(26,065)	(43,433)	(103,811)
Finance costs (notes 6, 7, and 8)	851,049	752,661	2,493,507	2,142,328
Changes in non-cash working capital items (note 15)	87,858	(183,711)	(348,218)	214,371
Interest received	5,745	22,657	44,550	104,947
Net cash used in operating activities	(583,317)	(957,574)	(2,303,154)	(2,765,636)
Cash flows from investing activities				
Additions to mineral properties (note 3)	-	-	(175,096)	(175,096)
Deposit on equipment (note 4)	-	(316,227)	-	(316,227)
Purchase of equipment (note 4)	-	-	-	(3,019)
Increase in short-term investments	-	-	(13,516)	(10,698)
Net cash used in investing activities	-	(316,227)	(188,612)	(505,040)
Cash flows from financing activities				
Loan facility proceeds received (note 7)	-	18,375,000	-	18,375,000
Interest paid on loan facility (note 7)	(473,020)	(422,760)	(1,413,250)	(422,760)
Transaction costs on loan facility (note 7)	-	(256,716)	-	(256,716)
Interest paid on convertible debt (note 6)	-	-	-	(887,030)
Principal paid on convertible debt (note 6)	-	(14,850,666)	-	(21,082,970)
Transaction costs on convertible debt (note 6)	-	-	-	(30,000)
Interest paid on lease liability (note 8)	(2,603)	-	(8,678)	-
Principal paid on lease liability (note 8)	(12,397)	-	(36,322)	-
Share issue costs (note 11)	(2,833)	(16,111)	(5,766)	(16,111)
Proceeds from common shares issued (note 11)	45,000	-	45,000	-
Net cash provided by (used in) financing activities	(445,853)	2,828,747	(1,419,016)	(4,320,587)
Net change in cash and cash equivalents	(1,029,170)	1,554,946	(3,910,782)	(7,591,263)
Cash and cash equivalents at the beginning of the period	3,152,236	5,693,926	6,033,848	14,840,135
Cash and cash equivalents at the end of the period	2,123,066	7,248,872	2,123,066	7,248,872

Supplemental disclosure with respect to cash flow information (note 15)

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

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(amounts in Canadian dollars, except where noted)

(Unaudited)

1 Nature of operations and going concern

Nature of operations

Alderon Iron Ore Corp. ("Alderon" or the "Company") is a development-stage company conducting iron ore evaluation activities related entirely to its Canadian properties located in western Labrador in the province of Newfoundland and Labrador. Those properties are collectively referred to as the Kamistiatusset, or "Kami", Property. All activities associated with the Kami Property are referred to as the Kami Project. The Company transferred the Kami Property into The Kami Mine Limited Partnership ("The Kami LP"), an entity in which the Company holds a 75% interest, during the year ended December 31, 2013.

Going concern

The accompanying condensed interim consolidated financial statements were prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurance that current exploration, development and mining plans will result in profitable mining operations. The recoverability of the carrying value of assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable resources, the achievement of profitable operations and the ability of the Company to raise additional financing. Changes in future conditions or anticipated future conditions could require further material write-downs to the carrying values of the Company's assets.

To date, the Company has not recorded any revenues from operations, has no source of operating cash flow and no assurance that additional funding will be available to it for further development of the Kami Project. The Company does not have financial resources sufficient to cover all of its commitments for the coming year, which include amounts payable and accrued liabilities as at September 30, 2019, necessary general and administrative costs through the next twelve months, interest payments on outstanding debt, and contractual obligations in relation to anticipated equipment payments.

Pursuant to a credit agreement with Sprott Private Resource Lending (Collector), LP ("Sprott") with respect to a loan facility (the "Loan Facility") in the amount of US\$14,000,000, the principal balance becomes due on December 31, 2019. Any failure to meet any of the payment obligations under the Loan Facility, or otherwise adhere to the covenants therein or fulfill the other obligations thereunder, may trigger an event of default and a demand for full immediate repayment of all amounts outstanding under the Loan Facility. In particular, unless the Company completes additional financing and/or an amendment to the Loan Facility, the Company anticipates being unable to meet the consolidated working capital covenant during the fourth quarter of the year ending December 31, 2019 which would result in a default event. Should a default event occur, amounts under the Loan Facility may become due immediately. If the Company is unable to repay all amounts outstanding under the Loan Facility, Sprott may realize on its security and the Company could lose its interest in the Kami Project. The Company does not currently have sufficient funds to repay all amounts outstanding with respect to the Loan Facility and is actively engaged in discussions with various parties with respect to possible sources of financing to satisfy such obligations. There can be no assurance that financing will be available in sufficient amounts or on terms acceptable to the Company.

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(amounts in Canadian dollars, except where noted)

(Unaudited)

1 Nature of operations and going concern (continued)

The Company currently does not have sufficient financial resources to cover all of its originally planned commitments and as a result, it has split its purchase orders for equipment into two phases, engineering and manufacturing. Advances for engineering have been paid in full while commitments for manufacturing and fabrication remain contingent upon the Company issuing to its suppliers a notice to proceed following successful completion of its financing plan (note 18).

The Company is seeking to arrange the necessary funds in order to satisfy its obligations and commitments. Specifically, the Company continues to advance all of the elements of its financing plan based on a combination of a senior debt facility, other debt options, equipment financing and equity or through the completion of a strategic transaction. There can be no assurance that implementation of the results of the re-scoping process and completion of the financing plan will be successful. These conditions and events indicate material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

If management is unable to obtain new funding, comply with the terms of the credit agreement with Sprott and/or delay the payment of certain of its amounts payable, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these condensed interim consolidated financial statements. If the going concern assumption was not appropriate, adjustments to the carrying value of assets and liabilities, reported expenses and consolidated statement of financial position classifications would be necessary. Such adjustments could be material.

2 Significant accounting policies and critical accounting estimates and judgments

Basis of preparation

The accompanying condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting* ("IAS 34"), and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and effective as of September 30, 2019. These condensed interim consolidated financial statements were approved by the Company's Board of Directors on November 6, 2019.

Significant accounting policies

The accounting policies disclosed in the notes to the annual consolidated financial statements of the Company for the year ended December 31, 2018 have been applied consistently to all periods presented in these condensed interim consolidated financial statements, except as outlined below.

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(amounts in Canadian dollars, except where noted)

(Unaudited)

2 Significant accounting policies and critical accounting estimates and judgments (continued)

Leases

Effective January 1, 2019, the Company adopted IFRS 16, *Leases* ("IFRS 16"), which the IASB issued in January 2016. IFRS 16 replaces IAS 17, *Leases* ("IAS 17") and its associated interpretative guidance. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases but can elect to exclude those with a term of less than 12 months, or those where the underlying asset is of low value. A lessee is required to recognize a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have also been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company's accounting policy under IFRS 16 is as follows:

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right of use asset or the lease term using the straight line method as this most closely reflects the expected pattern consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate is a function of the Company's incremental borrowing rate, the nature of the underlying asset, the location of the asset and the length of the lease. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as expenses on a straight line basis over the lease term.

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

2 Significant accounting policies and critical accounting estimates and judgments (continued)

Effective January 1, 2019, the Company adopted IFRS 16 retrospectively, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. As the Company elected to measure its right of use asset at an amount equal to the associated lease liability, the adjustment to retained earnings was \$nil. Upon adoption of IFRS 16, the Company recognized an additional right of use asset and lease liability related to commercial real estate in the amount of \$141,847 (notes 4 and 8).

	As reported as of December 31, 2018	Adjustments	Restated balance as of January 1, 2019
	\$	\$	\$
Property, plant and equipment	16,164,434	141,847	16,306,281
Lease liability (including current portion)	-	(141,847)	(141,847)
	<u>16,164,434</u>	<u>-</u>	<u>16,164,434</u>

When measuring its lease liability, the Company discounted lease payments using its incremental borrowing rate of 10% as of January 1, 2019.

The Company has elected to apply the following practical expedients:

- The Company has elected to account for leases which the lease term ends within 12 months of the date of initial application as short-term leases.
- The Company will apply the exemption for low value items. These low value items continue to be classified as a lease expense.

The following table reconciles the Company's operating lease obligations as of December 31, 2018, as previously disclosed in the Company's audited annual consolidated financial statements, to the lease obligation recognized on initial application of IFRS 16 as of January 1, 2019:

	\$
Operating lease commitments as of December 31, 2018	166,300
Discounted using the incremental borrowing rate as of January 1, 2019	(18,153)
Recognition exemption for short-term leases	<u>(6,300)</u>
Lease obligations recognized as of January 1, 2019	<u>141,847</u>

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(amounts in Canadian dollars, except where noted)

(Unaudited)

2 Significant accounting policies and critical accounting estimates and judgments (continued)

Critical accounting estimates and judgments

The preparation of the Company's condensed interim consolidated financial statements in accordance with IAS 34 requires management to make estimates about and apply assumptions to future events and other matters that affect the reported amounts of the Company's assets, liabilities, expenses and related disclosures. Assumptions and estimates are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's condensed interim consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions and estimates in order to ensure that the condensed interim consolidated financial statements are presented fairly and in accordance with IAS 34.

Critical accounting estimates are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment. The significant judgments made by the Company in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company for the year ended December 31, 2018.

3 Mineral properties

The Company has ceased to incur development costs eligible for capitalization while it focuses on the advancement of its financing plan rather than the development of the Kami Project. Accordingly, most of the costs incurred with respect to the Kami Project have been recorded as project maintenance expenses in the Company's operating expenses for the periods presented.

Components of the Company's mineral properties, as well as activity associated therewith, are summarized below.

	Acquisition costs	Development costs	Share-based compensation costs capitalized	Interest capitalized	Depreciation capitalized	Accumulated impairment	Total
	\$	\$	\$	\$	\$	\$	\$
Balance – January 1, 2018	88,668,710	86,387,298	495,423	1,694,823	48,986	(78,416,384)	98,878,856
Additions during the year	-	175,096	-	-	-	-	175,096
Balance – December 31, 2018	88,668,710	86,562,394	495,423	1,694,823	48,986	(78,416,384)	99,053,952
Additions during the period	-	175,096	-	-	-	-	175,096
Balance – September 30, 2019	88,668,710	86,737,490	495,423	1,694,823	48,986	(78,416,384)	99,229,048

During the nine month period ended September 30, 2019, cash expenditures totaled \$175,096 (2018 - \$175,096). During the three month periods ended September 30, 2019 and 2018, the Company incurred no cash expenditures with respect to mineral properties.

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

4 Property, plant and equipment

Components of the Company's property, plant and equipment, as well as activity associated therewith, are summarized below. Construction in progress relates to advances paid or accrued on equipment.

	Computer and office equipment	Right of use (commercial real estate)	Construction in progress	Total
	\$	\$	\$	\$
Historical cost – January 1, 2018	-	-	28,906,099	28,906,099
Additions	3,019	-	41,110	44,129
Historical cost – December 31, 2018	3,019	-	28,947,209	28,950,228
Initial recognition of IFRS 16 (note 2)	-	141,847	-	141,847
Historical cost – September 30, 2019	3,019	141,847	28,947,209	29,092,075
Accumulated depreciation and impairment – January 1, 2018	-	-	(12,784,955)	(12,784,955)
Depreciation	(839)	-	-	(839)
Accumulated depreciation and impairment – December 31, 2018	(839)	-	(12,784,955)	(12,785,794)
Depreciation	(755)	(39,894)	-	(40,649)
Accumulated depreciation and impairment – September 30, 2019	(1,594)	(39,894)	(12,784,955)	(12,826,443)
Carrying value – December 31, 2018	2,180	-	16,162,254	16,164,434
Carrying value – September 30, 2019	1,425	101,953	16,162,254	16,265,632

During the nine month period ended September 30, 2019, the Company recorded depreciation in the amount of \$40,649 (2018 - \$587) of which \$39,894 (2018 - \$nil) relates to the right of use asset and is included within project maintenance expenses and \$755 (2018 - \$587) relates to other equipment and is included within general and administrative expenses in the condensed interim consolidated statements of comprehensive loss.

During the three month period ended September 30, 2019, the Company recorded depreciation in the amount of \$13,550 (2018 - \$252) of which \$13,298 (2018 - \$nil) relates to the right of use asset and is included within project maintenance expenses and \$252 (2018 - \$252) relates to other equipment and is included within general and administrative expenses in the condensed interim consolidated statements of comprehensive loss.

During the three and nine month periods ended September 30, 2018, the Company advanced cash payments in the amount of \$316,227 to suppliers in relation to the purchase of equipment included in construction in progress.

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

5 Payables and accrued liabilities

	As of September 30, 2019	As of December 31, 2018
	\$	\$
Accrued payable on purchases of equipment	5,194,850	5,348,579
Accrued development and project maintenance costs	3,459,613	3,450,067
Other accrued liabilities	394,982	373,148
Trade accounts payable	93,272	126,238
Accrued legal and professional expenses	24,500	113,904
Accrued salaries and benefits	2,773	3,446
	<u>9,169,990</u>	<u>9,415,382</u>

6 Convertible debt

On February 24, 2014, Liberty Metals & Mining Holdings, LLC ("Liberty") provided a loan to The Kami LP (the "Note") in the amount of \$22,000,000. The Note was secured with a mortgage over the Kami Project, accrued interest at a rate of 8% per annum, convertible at Liberty's option into the Company's common shares, and had a maturity date of December 31, 2018. On December 8, 2014, the Company and Liberty amended the Note (the "Amended Note") which deferred interest payments totalling and increased the principal balance by \$1,795,198.

During the year ended December 31, 2018, the Company extinguished the Amended Note pursuant to a forbearance agreement and the mortgage over the Kami Project was discharged.

Prior to the extinguishment of the Amended Note, during the nine month period ended September 30, 2018, the Company accrued and paid interest in the amount of \$887,030 and recorded accretion expense in the amount of \$553,420. During the three month period ended September 30, 2018, the Company recorded accretion expense in the amount of \$50,783. Interest and accretion expenses related to the Amended Note have been recorded as finance costs in the condensed interim consolidated statements of comprehensive loss.

As a result of executing the forbearance agreement, during the nine month period ended September 30, 2018, the Company repaid the principal balance in the amount of \$21,082,970, incurred transaction costs in the amount of \$30,000 and recorded a gain on modification in the amount of \$1,929,743. During the three month period ended September 30, 2018, the Company made a partial principal payment in the amount of \$14,850,666.

7 Loan facility

On June 20, 2018, The Kami LP, together with Alderon as guarantor, and Sprott executed a credit agreement with respect to a non-revolving loan facility in the amount of US\$14,000,000 for the purpose of extinguishing the Amended Note and reimbursing The Kami LP for amounts paid to Liberty prior to closing the Loan Facility (note 6). The Loan Facility is secured with a mortgage over the Kami Project and accrues interest at a rate of 10% per annum, payable monthly. The Loan Facility requires the Company and The Kami LP to maintain certain consolidated working capital requirements. The maturity date of the Loan Facility is December 31, 2019 which may be extended to June 30, 2020 if certain conditions are met, including the issuance of common shares of the Company for additional consideration of US\$350,000. The Loan Facility is non-revolving, and any repayment under the Loan Facility cannot be reborrowed. The Kami LP may repay the outstanding balance of the Loan Facility, in whole or in part, at any time before maturity, provided that the equivalent of not less than US\$1,400,000 of interest is paid on the Loan Facility.

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(amounts in Canadian dollars, except where noted)

(Unaudited)

7 Loan facility (continued)

Altius Minerals Corporation ("Altius"), through a wholly-owned subsidiary, participated in the Loan Facility by providing US\$2,000,000 of the principal amount of the Loan Facility. Altius is a significant shareholder of the Company (note 9).

During the three and nine month periods ended September 30, 2018, the Company incurred transaction costs in connection with closing the Loan Facility including the issuance of 4,811,030 common shares with a fair value of \$1,539,530 (note 11), the issuance of 900,000 compensation options with a fair value of \$208,765 (note 13) and other professional fees totalling \$299,348 of which \$42,632 were included in payables and accrued liabilities as at September 30, 2018 (note 15).

Changes in the balance of the Loan Facility for the nine month period ended September 30, 2019 and the year ended December 31, 2018 are summarized below.

	\$
Balance – January 1, 2018	-
Proceeds received	18,375,000
Transaction costs	(2,047,643)
Accretion	602,168
Cumulative foreign exchange translation	664,887
	<hr/>
Balance – December 31, 2018	17,594,412
Accretion	1,071,579
Cumulative foreign exchange translation	(519,986)
	<hr/>
Balance – September 30, 2019	18,146,005

During the three month period ended September 30, 2019, the Company paid interest in the amount of \$473,020 (2018 - \$422,760), recorded accretion expense in the amount of \$375,426 (2018 - \$279,118), and recorded a cumulative foreign exchange loss on revaluation of the Loan Facility in the amount of \$209,951 (2018 – gain of \$230,618). During the nine month period ended September 30, 2019, the Company paid interest in the amount of \$1,413,250 (2018 - \$422,760), recorded accretion expense in the amount of \$1,071,579 (2018 - \$279,118), and recorded a cumulative foreign exchange gain on revaluation of the Loan Facility in the amount of \$519,986 (2018 - \$230,618). Interest and accretion expenses related to the Loan Facility have been recorded as finance costs in the condensed interim consolidated statements of comprehensive loss.

Any failure to meet any of the payment obligations under the Loan Facility, or otherwise adhere to the covenants therein or fulfill the other obligations thereunder, may trigger an event of default and a demand for full immediate repayment of all amounts outstanding under the Loan Facility. The Company does not currently have sufficient funds to repay all amounts outstanding with respect to the Loan Facility and is actively engaged in discussions with various parties with respect to possible sources of financing to satisfy such obligations (note 1).

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

8 Lease liability

Changes in the balance of the lease liability for the nine month period ended September 30, 2019 are summarized below.

	\$
Balance – January 1, 2019 (note 2)	141,847
Interest expense	8,678
Lease payments	<u>(45,000)</u>
Balance – September 30, 2019	<u>105,525</u>
Current lease liability (less than 1 year)	<u>52,650</u>
Non-current lease liability (between 1 and 5 years)	<u>52,875</u>

During the three and nine month periods ended September 30, 2019, the Company paid interest in the amounts of \$2,603 and \$8,678, respectively, and paid principal in the amounts of \$12,397 and \$36,322, respectively. Interest payments have been recorded as finance costs in the condensed interim consolidated statements of comprehensive loss.

During the three and nine month periods ended September 30, 2019, the Company subleased its commercial real estate right of use asset and recorded a recovery of costs in the amounts of \$3,000 and \$9,000, respectively, which was recorded within project maintenance expenses in the condensed interim consolidated statements of comprehensive loss.

During the three and nine month periods ended September 30, 2019, the Company applied exemptions permitted by IFRS 16 to recognize a lease expense on a straight line basis for a short-term lease in the amounts of \$6,552 and \$19,404, respectively. The lease expense was recorded within general and administrative expenses in the condensed interim consolidated statements of comprehensive loss.

9 Related party disclosures

Related parties and related party transactions impacting the condensed interim consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer, as well as any Vice Presidents reporting directly to a Corporate Executive Board member or officer, acting in that capacity.

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

9 Related party disclosures (continued)

Remuneration attributed to key management personnel are summarized below.

	Three month periods ended		Nine month periods ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Short-term benefits*	261,074	258,839	868,103	803,076
Share-based and deferred share unit compensation (notes 10 and 12)	36,003	59,483	199,525	670,155
	<u>297,077</u>	<u>318,322</u>	<u>1,067,628</u>	<u>1,473,231</u>

* include base salaries, pursuant to contractual employment or consultancy arrangements, directors' fees and other non-post-retirement benefits.

Other related parties

Altius: Altius is a significant shareholder of the Company and participated in the Loan Facility by providing one-seventh of the principal amount (note 7). In accordance with the Loan Facility, the Company pays one-seventh of interest accrued on the Loan Facility to Altius. Altius received 687,290 common shares of the Company on closing of the Loan Facility (note 11).

GN Consulting Services Inc. ("GN Consulting"): GN Consulting is an entity that is owned by the Executive Vice President of Government & Community Affairs of the Company and provides consulting services to the Company.

HBIS International Holding (Canada) Co., Ltd ("HBIS"): HBIS is a subsidiary of HBIS Group Co., Ltd. ("HBIS Group"), a significant shareholder of the Company and a 25% owner of The Kami LP. HBIS has nominated two individuals who act as officers of Kami GP and provide services to the Company.

King & Bay West Management Corp. ("King & Bay"): King & Bay is an entity that is owned by the Non-Executive Chairman of the Company's Board of Directors. King & Bay provides certain administrative, management, legal and regulatory, accounting, corporate development, information technology support and corporate communications services to the Company.

Liberty: Liberty was a significant shareholder of the Company. During the years ended December 31, 2014 and 2013, Liberty provided the Company with financing. The Company paid interest to Liberty related to the Amended Note (note 6). Liberty is no longer a shareholder of the Company.

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

9 Related party disclosures (continued)

Transactions entered into with related parties, other than key management personnel and not otherwise disclosed, are summarized below.

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
King & Bay	67,261	128,968	254,181	440,681
HBIS	80,004	80,004	240,012	240,012
	147,265	208,972	494,193	680,693

Amounts owed to related parties, not otherwise disclosed, are summarized below.

	As of September 30,	As of December 31,
	2019	2018
	\$	\$
HBIS	256,680	256,680
King & Bay	51,103	50,527
Accrued short-term benefits	-	95,454
	307,783	402,661

The amounts payable to related parties are non-interest bearing, unsecured, and have no fixed terms for payment.

10 Deferred share units ("DSUs")

The Company has in place a deferred share unit plan (the "DSU Plan") whereby directors are issued DSUs, which vest immediately and are equivalent in value to a common share upon issuance of the Company. Under the DSU Plan, directors have the option to convert 25, 50, 75 or 100 percent of their annual director fees into DSUs. The director fees are converted into DSUs on a quarterly basis by dividing the appropriate percentage of director fees by the five-day volume weighted average price per share at which the common shares traded on the TSX immediately prior to the grant date. In accordance with the terms of the DSU Plan, DSUs can only be redeemed following departure from the Company, the settlement of which is to be settled by the payment of cash, the issuance of common shares from treasury, or a combination of both, as determined by the Board of Directors. On the basis that it is the Company's option and intent to settle any future DSU redemptions by the issuance of common shares from treasury, the DSU Plan is considered an equity-settled award plan.

During the three and nine month periods ended September 30, 2019, a former director of the Company redeemed 649,690 DSUs which were settled in common shares issued from treasury on July 3, 2019 (note 11).

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

10 Deferred share units ("DSUs") (continued)

A summary of the activity related to the Company's DSUs is provided below.

	<u>Number</u>
Balance – January 1, 2018	3,049,953
Granted	340,206
Balance – December 31, 2018	3,390,159
Granted	522,771
Redeemed	(649,690)
Balance – September 30, 2019	3,263,240

During the three and nine month periods ended September 30, 2019, the Company recorded compensation costs related to DSUs in the amounts of \$25,874 (2018 - \$24,755) and \$157,168 (2018 - \$68,598), respectively, which were classified as share-based compensation costs within general and administrative expenses in the condensed interim consolidated statements of comprehensive loss.

11 Share capital

The Company has authorized for issue an unlimited number of common shares (being voting and participating shares) without par value, and all shares issued and outstanding as of September 30, 2019 and December 31, 2018 are fully paid. Pursuant to the Company's articles of incorporation (the "Articles"), the Company may by following the procedures set out in the Articles and the *Business Corporations Act* (British Columbia) (the "Act"): create one or more classes or series of shares, with rights and restrictions specific to each class; subdivide or consolidate all or any of its unissued or fully paid issued shares; alter the identifying name of any of its shares; or otherwise alter its shares or authorized share structure when required or permitted to do so by the Act.

The Company issued the following common shares during the nine month period ended September 30, 2019:

On February 12, 2019, the Company issued 113,332 common shares pursuant to the exercise of 250,000 stock options on a cashless basis (note 12). The fair value of the stock options in the amount of \$41,773 was credited to share capital.

On February 14, 2019, the Company issued 7,584 common shares pursuant to the exercise of 25,000 stock options on a cashless basis (note 12). The fair value of the stock options in the amount of \$5,808 was credited to share capital.

On July 3, 2019, the Company issued 300,000 common shares pursuant to the exercise of 300,000 stock options for cash proceeds in the amount of \$45,000. The fair value of the stock options in the amount of \$20,773 was credited to share capital.

On July 3, 2019, the Company issued 649,690 common shares valued at \$191,074 upon the redemption of 649,690 DSUs by a former director of the Company (note 10).

During the nine month period ended September 30, 2019, the Company incurred share issue costs in the amount of \$5,766.

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

11 Share capital (continued)

The Company issued the following common shares during the year ended December 31, 2018:

On February 15, 2018, the Company issued 833,333 common shares to an executive as a part of his compensation package. The common shares had a fair value of \$241,666 of which \$200,000 was included in payables and accrued liabilities as of December 31, 2017.

On July 10, 2018, the Company issued 4,811,030 common shares with a fair value of \$1,539,530 to settle the establishment fee in connection with the closing of the Loan Facility (note 7). Sprott and Altius received 4,123,740 common shares and 687,290 common shares, respectively.

During the nine month period ended September 30, 2018, the Company incurred share issue costs in the amount of \$16,111.

12 Stock options

The Company operates an equity-settled share-based compensation plan under which the Company receives services from employees as consideration for equity instruments of the Company. The related stock option plan (the "Plan") follows applicable stock exchange policies regarding stock option awards granted to employees, directors and consultants.

The Plan allows for a fixed maximum number of shares equal to 16,500,000 to be reserved for issuance under the Plan. Options granted under the Plan have a maximum term of ten years. The vesting terms are at the discretion of the Company's Board of Directors.

The following table summarizes the activity under the Company's stock option plan.

	Number	Weighted average exercise price \$
Balance – January 1, 2018	4,160,000	0.47
Granted	3,275,000	0.31
Expired	(200,000)	1.79
Balance – December 31, 2018	7,235,000	0.36
Exercised (note 11)	(575,000)	0.20
Forfeited	(450,000)	0.34
Expired	(600,000)	1.48
Balance – September 30, 2019	5,610,000	0.26

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

12 Stock options (continued)

Options outstanding as of September 30, 2019 are summarized below.

Exercise price (\$)	Expiry date	Remaining expected life (years)	Number of stock options outstanding	Number of stock options exercisable
0.15	September 7, 2021	1.94	2,180,000	2,180,000
0.53	January 23, 2022	2.32	180,000	180,000
0.34	April 27, 2022	2.57	350,000	350,000
0.35	June 7, 2022	2.69	150,000	150,000
0.31	January 23, 2023	3.32	2,150,000	2,150,000
0.26	April 2, 2023	3.50	300,000	150,000
0.33	June 21, 2023	3.72	300,000	150,000
			5,610,000	5,310,000

During the three and nine month periods ended September 30, 2019, the Company recorded share-based compensation costs with respect to stock options in the amounts of \$10,129 (2018 - \$34,728) and \$42,357 (2018 - \$773,586), respectively, which was recorded within general and administrative expenses in the condensed interim consolidated statements of comprehensive loss.

Fair value input assumptions

The table below shows the assumptions, or weighted average parameters, applied to the Black-Scholes Option Pricing Model in order to determine share-based compensation costs over the life of the awards for options granted during each of the periods presented.

	Nine month period ended September 30, 2019	Nine month period ended September 30, 2018
Expected dividend yield	-	0.00%
Estimated volatility	-	100.39%
Weighted average risk-free annual interest rate	-	2.01%
Weighted average expected life (years)	-	5.00
Grant date fair value	-	\$0.23

13 Compensation options

As of September 30, 2019 and December 31, 2018, the Company had 900,000 compensation options outstanding and exercisable with an exercise price of \$0.34 and expiry of July 12, 2020. The compensation options were issued by the Company during the year ended December 31, 2018 pursuant to the Loan Facility (note 7).

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

14 Operating expenses

General and administrative expenses for the three and nine month periods ended September 30, 2019 and 2018 are summarized below.

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Consulting, professional and legal fees	207,993	166,183	604,182	873,862
Salaries and benefits	83,359	86,545	362,201	247,355
Share-based compensation (notes 10 and 12)	36,003	59,483	199,525	842,184
Rent and facilities	43,152	48,501	129,822	139,130
Office and administration	33,431	34,319	102,079	105,977
Director fees	27,079	26,671	99,288	94,893
Travel	38,358	31,451	81,015	81,618
Investor relations	9,454	56,952	76,240	205,024
Regulatory	5,047	6,944	40,127	46,933
Depreciation (note 4)	252	252	755	587
	484,128	517,301	1,695,234	2,637,563

Project maintenance expenses for the three and nine month periods ended September 30, 2019 and 2018 are summarized below.

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Rent and facilities	90,797	101,741	274,773	307,460
Professional services and consulting	87,828	211,108	263,644	599,010
Depreciation (note 4)	13,298	-	39,894	-
Other costs	1,517	5,773	4,571	8,817
	193,440	318,622	582,882	915,287

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

15 Supplemental disclosure of cash flow information

	Three month periods ended		Nine month periods ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Changes in non-cash working capital items				
Receivables	11,415	(37,980)	(1,567)	(49,991)
Prepaid expenses	25,478	164,845	(6,381)	(6,654)
Payables and accrued liabilities	59,359	(264,589)	(245,392)	253,243
Due to related parties	(8,394)	(45,987)	(94,878)	17,773
	87,858	(183,711)	(348,218)	214,371

Non-cash investing or financing activities during the nine month period ended September 30, 2019 are summarized below:

On January 1, 2019, the Company adopted IFRS 16 and recognized a lease liability and right of use asset each in the amount of \$141,847 with respect to commercial real estate (notes 2, 4 and 8).

On February 12, 2019, the Company credited \$41,773 to share capital in relation to the fair value of 250,000 stock options exercised (notes 11 and 12).

On February 14, 2019, the Company credited \$5,808 to share capital in relation to the fair value of 25,000 stock options exercised (notes 11 and 12).

On July 3, 2019, the Company credited \$20,773 to share capital in relation to the fair value of 300,000 stock options exercised (notes 11 and 12).

On July 3, 2019, the Company credited \$191,074 to share capital in relation to the fair value of 649,690 DSUs redeemed (note 11).

Non-cash investing or financing activities during the nine month period ended September 30, 2018 are summarized below:

On February 15, 2018, the Company issued 833,333 common shares to an executive as a part of his compensation package (note 11). The common shares had a fair value of \$241,666 of which \$200,000 was included in payables and accrued liabilities as of December 31, 2017. The additional expense in the amount of \$41,666 is included in general and administrative expenses in the condensed interim consolidated statements of comprehensive loss.

On July 10, 2018, the Company issued 4,811,030 common shares with a fair value of \$1,539,530 to settle the establishment fee in connection with the closing of the Loan Facility (notes 7 and 11). Transaction costs incurred were offset against the Loan Facility.

On July 12, 2018, the Company issued 900,000 compensation options with a fair value of \$208,765 to settle finder's fees in connection with the closing of the Loan Facility (notes 7 and 13). Transaction costs incurred were offset against the Loan Facility.

As at September 30, 2018, payables and accrued liabilities include transaction costs with respect to the Loan Facility in the amount of \$42,632 (note 7).

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2019

(amounts in Canadian dollars, except where noted)

(Unaudited)

16 Capital disclosures

The Company's capital structure currently consists of equity and debt financing to provide for: development and other Kami Project activities; general and administrative expenses; working capital; and capital expenditures.

Management regularly monitors the Company's capital structure and makes adjustments thereto based on funds available to the Company for the acquisition, exploration and development of mineral properties. The Board of Directors has not established quantitative return on capital criteria for capital management, but rather relies upon the expertise of the management team to sustain the future development of the business.

The properties in which the Company currently has an interest are in the development stage, and the Company does not generate any revenue. Accordingly, the Company is dependent upon sources of external financing to fund both the Kami Project and its other costs. While the Company endeavours to minimize dilution to its shareholders, management has in the past engaged in dilutive financial transactions, such as private placements, and may engage in dilutive arrangements in the future.

The Company's policy on dividends is to retain cash to keep funds available to finance the activities required to advance the Company's Kami Project. Alderon provided commitments to HBIS Group with respect to the use of \$119,926,293 (the "Initial Investment") in proceeds that HBIS Group provided in exchange for a 25% interest in The Kami LP during the year ended December 31, 2013. Under the terms of the agreements with HBIS Group, the proceeds from the Initial Investment were used solely for Kami Project related expenditures.

As of September 30, 2019, \$1,547,548 of cash and \$1,014,765 in short-term investments are held by The Kami LP, relate to the remaining funds received from the Loan Facility (note 7), and are not attributable to the Initial Investment. The Loan Facility requires certain consolidated working capital and other conditions to be maintained by the Company and The Kami LP. The Company will need to obtain additional financing in the near term to avoid a default event under the terms of the Loan Facility (note 1).

17 Financial instruments

The carrying values of the Company's cash and cash equivalents, short-term investments, receivables, payables and accrued liabilities and amounts due to related parties approximate their fair values due to their short-term maturities or to the prevailing interest rates of the related instruments, which are comparable to those of the market. As of September 30, 2019, the determination of the fair values of the Loan Facility and lease liability are based on a discounted cash flow model using an interest rate of 10%, which reflects the Company's current rate of borrowing.

Alderon Iron Ore Corp.

Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2019

(amounts in Canadian dollars, except where noted)
(Unaudited)

17 Financial instruments (continued)

The fair values of the Company's financial assets and liabilities, together with the carrying values included in the condensed interim consolidated statements of financial position, as of September 30, 2019 and December 31, 2018 are presented below. In the following tables, receivables exclude sales and other tax credits.

As of September 30, 2019	Carrying value	Fair value
	\$	\$
Financial assets		
Cash and cash equivalents	2,123,066	2,123,066
Short-term investments	1,014,765	1,014,765
Receivables	9,772	9,772
Financial liabilities		
Payables and accrued liabilities (note 5)	(9,169,990)	(9,169,990)
Due to related parties (note 9)	(307,783)	(307,783)
Loan facility (note 7)	(18,146,005)	(17,705,802)
Lease liability (note 8)	(105,525)	(105,525)
	<u>(24,581,700)</u>	<u>(24,141,497)</u>
As of December 31, 2018	Carrying value	Fair value
	\$	\$
Financial assets		
Cash and cash equivalents	6,033,848	6,033,848
Short-term investments	1,001,249	1,001,249
Receivables	12,038	12,038
Financial liabilities		
Payables and accrued liabilities (note 5)	(9,415,382)	(9,415,382)
Due to related parties (note 9)	(402,661)	(402,661)
Loan facility (note 7)	(17,594,412)	(19,201,828)
	<u>(20,365,320)</u>	<u>(21,972,736)</u>

18 Commitments and contingencies

The Company has negotiated contracts with suppliers in relation to the purchase of equipment. As at September 30, 2019, payments of \$30,541,000 remain to be paid on the equipment for contracts entered into and approximately \$30,358,000 of this amount is contingent on confirmation by the Company of future fabrication of this equipment.



(A Development-Stage Company)

Management's Discussion and Analysis

For the nine month period ended September 30, 2019

Introduction

This Management's Discussion and Analysis ("MD&A") provides a review of the financial performance, financial condition and cash flows of Alderon Iron Ore Corp. for the three and nine month periods ended September 30, 2019. In this MD&A, "Alderon", the "Company", "we", "us" or "our" mean Alderon Iron Ore Corp. and its subsidiaries and affiliates. This MD&A should be read in conjunction with the Company's annual consolidated financial statements as of and for the years ended December 31, 2018 and 2017 and is intended to supplement and complement the unaudited condensed interim consolidated financial statements and notes thereto for the three and nine month periods ended September 30, 2019 (collectively, the "Financial Statements"). This MD&A is prepared as of November 6, 2019.

The Company has prepared this MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

All dollar amounts in this MD&A are presented in Canadian dollars (which is the Company's presentation and functional currency), except where otherwise indicated.

Responsibility of financial reports

Management is responsible for the preparation and integrity of financial reports, as well as for the maintenance of appropriate information systems, procedures and internal controls and for ensuring that information used internally or disclosed externally, including our Financial Statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. Our Board of Directors' Audit Committee meets with management quarterly to review the Financial Statements and the MD&A and to discuss other financial, operating and internal control matters.

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting* ("IAS 34"). Consequently, all comparative financial information presented in this MD&A reflects the consistent application of IFRS.

Forward-looking information

This MD&A contains "forward-looking information" within the meaning of the U.S. Private Securities Litigation Reform Act and applicable Canadian securities laws concerning anticipated developments and events that may occur in the future. Forward looking information contained in this MD&A includes, but is not limited to, statements with respect to: (i) permitting time lines; (ii) the sufficiency of working capital; (iii) requirements for additional capital; (iv) development, construction and production timelines and estimates; (v) the timing of long lead equipment items; (vi) the supply of power for the Kami Project; (vii) forecasts for future expenditures; (viii) the Company's financing strategy for the development of the Kami Project, including a senior debt facility; (ix) the results of the Updated FS (as defined below) including statements about mineral resources, mineral reserves, estimated future production, future operating and capital costs, the projected internal rate of return ("IRR"), net present value ("NPV"), payback

(A Development-Stage Company)
Management's Discussion and Analysis
For the nine month period ended September 30, 2019

period, construction timelines and production timelines for the Kami Project; and (x) the statements in the "Outlook" section of this MD&A, including, the successful completion of a senior debt facility and other financing for the construction of the Kami Project, and the expected timeline for the commencement of construction and its duration.

In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information contained in this MD&A is based on certain factors and assumptions regarding, among other things, the estimation of mineral resources, the realization of resource estimates, iron ore and other metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing and materials to continue to explore and develop the Kami Property (as defined below) in the short and long-term, the progress of exploration and development activities, the receipt of necessary regulatory approvals, the estimation of insurance coverage, and assumptions with respect to currency fluctuations, environmental risks, title disputes or claims, and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, these assumptions may prove to be incorrect.

Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information including, without limitation, the following risks and uncertainties referred to under the heading "Risk factors" in the Company's Annual Information Form ("Annual Report") for the year ended December 31, 2018:

- risks relating to the fact that the Company depends on a single mineral project;
- risks inherent in the exploration and development of mineral deposits, including risks relating to changes in project parameters as plans continue to be redefined including the possibility that mining operations may not commence at the Kami Property;
- risks relating to variations in mineral resources, grade or recovery rates resulting from current exploration and development activities;
- risks related to fluctuations in the price of iron ore as the Company's future revenues, if any, are expected to be derived from the sale of iron ore;
- risks related to a reduction in worldwide and specifically Chinese demand for iron ore which could result in lower prices and demand for iron ore;
- financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the development and construction activities at the Kami Property may not be available on satisfactory terms, or at all;
- the Company has no history of mining operations and no revenues from operations and expects to incur losses for the foreseeable future;
- risks related to the Company relying on two customers for 100% of its expected iron ore concentrate production;
- risks related to the Company obtaining various permits required to conduct its current and anticipated future operations;
- risks related to unresolved land claims by various aboriginal groups;

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- risks related to disputes concerning property titles and interest;
- risks relating to the ability to access rail transportation, sources of power and port facilities;
- the Company is dependent on the support and cooperation of HBIS Group Co., Ltd. ("HBIS Group"), its partner to develop the Kami Property;
- operational risks inherent in the conduct of mining activities, including the risk of accidents, labour disputes, increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the development process;
- risks related to the significant governmental regulation that the Company is subject to;
- environmental risks;
- climate change risks;
- risks associated with efforts to control or reduce greenhouse gas emissions;
- reliance on key personnel;
- risks related to increased competition in the market for iron ore and related products and in the mining industry generally;
- cybersecurity risks;
- risks related to potential conflicts of interests among the Company's directors and officers;
- the absence of dividends;
- risks related to current global financial conditions;
- land reclamation requirements may be burdensome;
- risks associated with the acquisition of any new properties;
- uncertainties inherent in the estimation of mineral resources;
- the Company may become subject to legal proceedings; and
- risks relating to the Company's common shares.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information is made as of the date of this MD&A.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking information, and readers should also carefully consider the matters discussed under the heading, "Risk factors", in this MD&A and in the Annual Report.

Description of business and overview

Alderon is a development-stage company conducting iron ore evaluation activities related entirely to its Canadian properties located in western Labrador in the province of Newfoundland and Labrador. Those properties are collectively referred to as the Kamistatusset, or "Kami", Property. All activities associated with the Kami Property are referred to as the Kami Project. The Company transferred the Kami Property and its related assets into The Kami Mine Limited Partnership ("The Kami LP") during the year ended December 31, 2013 in connection with the strategic

investment from HBIS Group. HBIS Group contributed \$119.9 million (the "Initial Investment") into The Kami LP for 25% interest in the Kami Project. Alderon retains 75% interest in The Kami Project.

The Company's common shares are listed on the Toronto Stock Exchange ("TSX"), under the symbol "IRON".

The Kami Project

Alderon is focused on developing its core asset, the Kami Property of which it owns 75%, located next to the mining towns of Wabush and Labrador City in western Labrador, Canada. The Kami Property is surrounded by two producing mines and is within close proximity to a common carrier railway that is connected to deep sea ports with year-round access to the global market. The Company's goal is to develop the Kami Property into a profitable mining operation and to become a producer of low-cost iron concentrate by taking advantage of the Kami Property's strategic location and of the readily available regional infrastructure.

Technical information disclosed in this MD&A is from the National Instrument ("NI") 43-101 Technical Report entitled *Updated Feasibility Study of the Kamistatusset (Kami) Iron Ore Property, Labrador for Alderon Iron Ore Corp.*, dated effective September 26, 2018 (the "Technical Report" or the "Updated FS") and filed on SEDAR (www.sedar.com) on October 31, 2018. The Technical Report was prepared under the supervision of Mr. Angelo Grandillo, P.Eng, of BBA, Inc. ("BBA") with contributions from Mr. Jeffrey Cassoff, P.Eng, of BBA, Mr. James Powell of Gemtec Limited ("Gemtec"), Mr. Peter Merry of Golder Associates Ltd. ("Golder") and Mr. Michael Kociumbas, P. Geo. Mr. Grandillo, Mr. Cassoff and Mr. Kociumbas each meet the NI 43-101 definition of a Qualified Person and are independent of Alderon. Mr. Grandillo has reviewed and approved the technical information contained in this MD&A, with the exception of the mineral resource and mineral reserve estimates. Mr. Kociumbas is responsible for reviewing and approving the mineral resource estimate and the QA/QC associated with the mineral resource estimate. Mr. Cassoff was responsible for reviewing and approving the mineral reserve estimate. The Updated FS is based on 100% ownership of the Kami Project. The Kami Project is held through The Kami Mine Limited Partnership, as to 75% by Alderon and 25% by HBIS Group.

The Company engaged BBA to prepare the Updated FS on the Rose Deposit of the Kami Property as it underpins the Company's renewed focus on project financing and builds on the previous feasibility study dated December 17, 2012 (the "2012 Feasibility Study"), the updated preliminary economic assessment dated November 7, 2017 (the "Updated PEA"), and detailed engineering carried out between 2013 and 2015. The flowsheet and product characteristics remained unchanged and the focus was on a tailings management facility, market analysis, capital and operating expenditures and updated reserve estimates.

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Highlights of the Updated FS include:

NPV at 8% discount rate (pre-tax)	US\$	1,698 M
NPV at 8% discount rate (post-tax)	US\$	866 M
IRR (pre-tax)		24.6%
IRR (post-tax)		18.2%
Total Estimated Capital Cost (excluding sustaining capital and closure costs)	US\$	982.41 M
Average Estimated Operating Costs (loaded in ship Port of Sept-Îles)	US\$/dmt	30.72
CFR Concentrate Sales Price Forecast ⁽¹⁾	US\$/dmt	CFR 89.67 (FOB 73.17)
Estimated Mine Life		23 years
Final Product Iron Grade (%Fe)		65.2%
Proven and Probable Mineral Reserves (COG=15%, 28.8% Total Fe, 3.4% Dilution, 2.5% Ore Loss)		517.2 Mt
Annual Concentrate Production Rate (average life of mine, post ramp-up year)		7.84 Mtpa
Projected Years to Payback (pre-tax)		4.0
Projected Years to Payback (post-tax)		4.9

⁽¹⁾ Based on three year trailing average CFR benchmark price of US\$63.30/dmt @ 62%Fe adjusted for Kami Fe grade, and HBIS Group and Glencore agreement terms

The Updated FS is based on a number of assumptions detailed in the Technical Report. An exchange rate of CAD\$1.00 = US\$0.77 was used.

The Updated FS is based on the same mineral processing flowsheet as the previous technical reports including the 2012 Feasibility Study. The major infrastructure required to support the Kami Project, as stated in the Updated FS, includes the following components:

- Mining of the Rose open pit and adjacent crushing plant at the Kami mine area.
- Crushed ore conveyed from the crusher to the crushed ore stockpile, ahead of the concentrator, to the east of the Waldorf crossing.
- Concentrator consisting of autogenous grinding, gravity and magnetic separation and dewatering and utilizing the autogenous and ball mills that already have been procured.
- Tailings disposal in the designated area on the Kami Project, in the location which was identified during the 2012 Feasibility Study. In the Updated FS, the Tailings Management Facility (the "TMF") and tailings deposition plan have been redesigned to conform to current industry standards and in accordance with the Canadian Dam Association Dam Safety Guidelines.
- Concentrate load-out located at the new Kami rail loop, connecting to the QNS&L main rail line by way of a new railway constructed as part of the Kami Project.
- Rail transportation of concentrate from the Kami rail loop to the common port terminal facilities at Pointe Noire near Sept-Îles, Québec (owned and operated by third parties).
- Ship-loading services provided by Port of Sept-Îles.
- Electrical power supplied by Newfoundland and Labrador Hydro ("NLH") based on the terms set out in the power purchase agreement between NLH and The Kami LP.

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Prior to construction commencing, the Company will have to re-assemble the owner's team, award an EPCM/EPC contract, resume detailed engineering, and have construction financing in place. This process could take several months to complete once it is commenced. Construction is expected to last 26 months.

For additional information on the Updated FS results, please refer to the Technical Report filed on SEDAR (www.sedar.com).

Corporate activities

Corporate activities for this fiscal year-to-date are summarized below.

- The Company appointed Scotiabank as its financial advisor with respect to strategic transactions, and equity and debt financing. Scotiabank is a leading provider of a full range of financial products and services to the global mining industry, and a leading lender to the sector that has maintained long-standing relationships throughout economic cycles.

The financing strategy is anticipated to be completed in two phases: (i) financing in an amount sufficient to repay the outstanding loan facility (detailed below) and for working capital purposes, and (ii) the project financing in an amount required to complete the construction of the Kami Project.

The Company continues to work with Scotiabank; and with their help, the Company is evaluating and facilitating discussions for potential strategic transactions and securing sources of working capital. The Company has been marketing the Kami Project to investors and potential strategic partners in North America, Europe and Japan. Parties are currently evaluating the opportunity through their analysis of the Company's financial model and business plan.

- The Company continues to engage key stakeholders, ensuring that the Kami Project remains ready to move into construction once financing is received. The Company has HBIS Group as a partner and the support of the Government of Newfoundland and Labrador. The Provincial government has granted the Kami Project an extension of its mining lease until 2024, signifying continued support and understanding of the effort needed to finance a project of this magnitude.
- The Kami LP signed a memorandum of understanding (the "Schneider MOU") with Schneider Electric Canada Inc. ("Schneider Electric"), a global and Canadian leader committed to providing safe and reliable energy. The Schneider MOU provides for The Kami LP to evaluate the lease or purchase of equipment from Schneider Electric for use in the Kami Project. The Schneider MOU also provides that Schneider Electric will assist The Kami LP in its capital raising efforts by making introductions and facilitating discussions with potential financing sources for the Kami Project, including funding from export credit agencies in regions where Schneider Electric manufactures its equipment. This assistance is expected to help The Kami LP raise the capital required to start construction of the Kami Project.

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- The Kami LP signed a memorandum of understanding (the "Envest MOU") with Envest Corp. ("Envest"), an independent power producer specializing in the financing, development, ownership and operation of mid-market energy infrastructure projects in North America. The Envest MOU provides that The Kami LP and Envest will enter into transactions whereby Envest will acquire and manage the equipment that The Kami LP intends to procure from Schneider Electric for use in the Kami Project. This transaction is expected to provide up to US\$35 million for power infrastructure. In addition, Envest and The Kami LP will explore the potential for additional financial solutions from Envest for other equipment that will be utilized in the Kami Project.

Outlook

On October 31, 2018, the Company filed the Updated FS on SEDAR (www.sedar.com) which further demonstrates the strong economics of the Kami Project as summarized above in "The Kami Project". The Company will use the results of the Updated FS to further its goal of completing its financing plan.

Alderon is pursuing a financing strategy, as discussed above in "Corporate activities", to provide for the repayment of the outstanding loan facility and secure sources of additional working capital. The Company is also pursuing construction financing for the Kami Project based on a combination of a senior debt facility, other debt options, equipment financing, and equity. In order to provide flexibility and maximize its financing options, Alderon intends to pursue a senior debt facility and its other debt and equity options in parallel. There can be no assurance that the Company will successfully conclude an interim financing to repay the outstanding loan facility or complete the project financing for the construction of the Kami Project.

With numerous milestones already in place, including release from federal and provincial environmental assessments and receipt of mining and surface leases, conclusion of long-term offtake agreements for 100% of its premium quality concentrates, securing of power and port access contracts, and completion of more than 50% of detailed engineering, the Kami Project remains a rare development opportunity in the iron ore industry. The Company is now singularly focused on the final de-risking step of completing financing for the Kami Project.

As previously disclosed, Alderon intends to commence construction of the Kami Project when the Company's financing plan is successfully completed. In addition, prior to construction commencing the Company will have to secure access to the proposed infrastructure integrations in the Updated FS, re-assemble the owner's team, award an EPCM/EPC contract and resume detailed engineering. This process could take several months to complete once it is commenced. Once construction does commence, it is expected to take 26 months for completion, including pre-operational verifications, hot commissioning and handover to mine operations team.

Results of operations

General and administrative expenses

During the three and nine month periods ended September 30, 2019, the Company incurred general and administrative expenses in the amounts of \$484,128 (2018 - \$517,301) and \$1,695,234 (2018 - \$2,637,563), respectively. The decreases in general and administrative expenses are explained below.



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During the three month period ended September 30, 2019, consulting, professional and legal fees increased by \$41,810 compared to the same period of the prior year as result of engaging professional services to evaluate potential strategic transactions and to advance the Company's financing strategy. During the nine month period ended September 30, 2019, consulting, professional and legal fees decreased by \$269,680 compared to the same period of the prior year due to changes in executive management personnel and corporate transactions executed, including the extinguishment of convertible debt and execution of a replacement loan facility, during the same period of the prior year.

During the three month periods ended September 30, 2019 and 2018, salaries and benefits remained consistent in the amounts of \$83,359 and \$86,545, respectively, and related to salaries and benefits paid to an executive of the Company. Salaries and benefits increased by \$114,846 during the nine month period ended September 30, 2019 compared to the same period of the prior year as a result of changes in executive management personnel and related compensation arrangements, including retention and discretionary bonuses paid during the nine month period ended September 30, 2019. Refer to "Related party transactions" for additional detail on compensation of key management personnel.

During the three and nine month periods ended September 30, 2019, the Company recorded non-cash share-based compensation expense in the amounts of \$36,003 (2018 - \$59,483) and \$199,525 (2018 - \$842,184), respectively, with respect to the fair value of equity-settled awards, including stock options and deferred share units ("DSUs"). The fluctuation in share-based compensation expense is primarily attributable to the number of stock options and DSUs granted in a period and the respective vesting schedules.

During the three and nine month periods ended September 30, 2019, rent and facilities expenses decreased by \$5,349 and \$9,308, respectively, compared to the same periods of the prior year, as result of reductions in the number of offices leased by the Company.

Investor relations expenses incurred during the three and nine month periods ended September 30, 2019 totaled \$9,454 (2018 - \$56,952) and \$76,240 (2018 - \$205,024), respectively. The decreases in investor relations expenses for the three and nine month periods ended September 30, 2019 are explained by reductions in conference attendance, website development and translation services as the Company focused on its financing strategy during the three and nine month periods ended September 30, 2019.

The Company incurred travel costs in the amounts of \$38,358 (2018 - \$31,451) and \$81,015 (2018 - \$81,618) during the three and nine month periods ended September 30, 2019, respectively, which related to domestic and international travel to support the Company's financing strategy.

During the three month periods ended September 30, 2019 and 2018, regulatory expenses remained consistent in the amounts of \$5,047 and \$6,944, respectively, and related to transfer agent services and listing fees. During the nine month period ended September 30, 2019, regulatory expenses decreased by \$6,806 compared to the same period of the prior year as a result of reduced costs associated with the Company's annual general meeting.

It is the Company's expectation that total general and administrative expenses will continue at current levels for the remainder of the year ending December 31, 2019, excluding the impact of share-based compensation costs which in turn depend on a number of unknown or currently inestimable factors such as the Company's future share price, the number of options and DSUs that will be granted in future periods and any changes to parameters or judgments applied to the option pricing model used to calculate the underlying fair value of equity-based awards.

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Project maintenance expenses

During the three and nine month periods ended September 30, 2019, the Company incurred project maintenance expenses in the amounts of \$193,440 (2018 - \$318,622) and \$582,882 (2018 - \$915,287), respectively, while the Kami Project was temporarily suspended. The decreases in project maintenance expenses are explained below.

During the three and nine month periods ended September 30, 2019, the Company incurred rent and facilities related costs in the amounts of \$90,797 (2018 - \$101,741) and \$274,773 (2018 - \$307,460), respectively. The decreases in rent and facilities costs are explained by the adoption of IFRS 16, *Leases* ("IFRS 16") and resulting change in classification of certain lease expenses effective January 1, 2019. For additional detail, refer to "Significant accounting policies and critical accounting estimates and judgments".

During the three and nine month periods ended September 30, 2019, the Company incurred professional services and consulting fees in the amounts of \$87,828 (2018 - \$211,108) and \$263,644 (2018 - \$599,010), respectively. Professional services and consulting fees for the three and nine month periods ended September 30, 2019 primarily related to management members of The Kami LP appointed by HBIS Group, as discussed in "Related party transactions". During the three and nine month periods ended September 30, 2018, in addition to amounts paid to these management members, the Company was focused on the completion of the Updated FS.

The Company recorded depreciation in the amounts of \$13,298 (2018 - \$nil) and \$39,894 (2018 - \$nil) for the three and nine month periods ended September 30, 2019, respectively, as a result of the adoption of IFRS 16 effective January 1, 2019. For additional detail, refer to "Significant accounting policies and critical accounting estimates and judgments".

Government and community relations expenses

During the three and nine month periods ended September 30, 2019, the Company incurred government and community relations expenses in the amounts of \$1,537 (2018 - \$66,965) and \$55,356 (2018 - \$217,889), respectively. Government and community relations expenses are incurred by the Company in connection with corporate initiatives to strengthen support for the Kami Project, including augmenting the financing strategy through engagement with local, provincial and federal government bodies and communities. Government and community relations expenses fluctuate based on the nature and timing of stakeholder engagement.

Foreign exchange loss (gain)

The foreign exchange loss (gain) recorded reflects changes in the currency exchange rate between the US dollar compared to the Canadian dollar as of each period end and the related impact on US dollar denominated financial instruments with the impact of a US dollar denominated loan facility being the primary driver since July 2018. Refer to "Consolidated statements of financial position information – Loan facility" for further detail on foreign currency revaluations and "Financial instruments and risk management – Currency risk".

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Net finance costs

During the three and nine month periods ended September 30, 2019, the Company incurred net finance costs in the amounts of \$840,854 and \$2,450,074, respectively, comprised of interest and accretion on an outstanding loan facility and interest on the lease liability, net of finance income earned on cash and cash equivalents and short-term investments.

During the three month period ended September 30, 2018, the Company incurred net finance costs in the amount of \$726,596 comprised of interest and accretion on an outstanding loan facility, net of finance income earned on cash and cash equivalents and short-term investments. During the nine month period ended September 30, 2018, the Company incurred net finance costs in the amount of \$108,774 comprised of interest and accretion on an outstanding loan facility and convertible debt, net of a gain on modification of convertible debt and finance income earned on cash and cash equivalents and short-term investments.

Financing activities are discussed further in "Consolidated statements of financial position information" and "Liquidity and capital resources".

Quarterly consolidated results of operations

Selected quarterly consolidated results of operations information for the most recently completed eight fiscal quarters are presented below:

	Quarters ended			
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	\$	\$	\$	\$
Loss from operations	(936,424)	(304,509)	(478,741)	(1,954,179)
Net loss and comprehensive loss attributable to owners of the parent	(1,295,010)	(1,195,257)	(1,344,015)	(1,541,730)
Loss per share Basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
	Quarters ended			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	\$	\$	\$	\$
Loss from operations	(625,637)	(1,416,539)	(1,696,597)	(1,247,310)
Net income (loss) and comprehensive income (loss) attributable to owners of the parent	(1,347,420)	50,577	(1,786,638)	(1,616,379)
Earnings (loss) per share Basic and diluted	(0.01)	0.00	(0.01)	(0.01)



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Earnings (loss) per share is based on each reporting period's weighted average number of shares outstanding, which may differ on a quarter-to-quarter basis. As such, the sum of the quarterly earnings (loss) per share amounts may not equal year-to-date earnings (loss) per share.

Historical quarterly results of operations and earnings (loss) per share data do not necessarily reflect any recurring expenditure patterns or predictable trends. As such, quarterly results cannot be interpreted as being indicative of future expectations, results of operations or net income (loss) per share.

Over the past eight quarters, the Company has maintained low levels of operating expenditures, consistent with the temporary suspension of the Kami Project and the implementation of cash conservation measures. The fluctuations in the loss from operations from quarter to quarter are generally explained by non-recurring and/or non-cash transactions, including: unrealized foreign exchange gains and losses related to US dollar denominated financial liabilities (quarters ended December 31, 2018 and thereafter) and non-cash share-based compensation costs (quarter ended March 31, 2018). During the quarter ended June 30, 2018, the Company reported net income in the amount of \$50,577 as a result of a gain on debt modification recorded in the amount of \$1,929,743.

Consolidated statements of financial position information

	As of September 30, 2019	As of December 31, 2018
	\$	\$
Cash and cash equivalents	2,123,066	6,033,848
Short-term investments	1,014,765	1,001,249
Receivables and other current assets	78,941	72,110
Mineral properties	99,229,048	99,053,952
Property, plant and equipment	16,265,632	16,164,434
Total assets	118,711,452	122,325,593
Payables and accrued liabilities	9,169,990	9,415,382
Due to related parties	307,783	402,661
Loan facility	18,146,005	17,594,412
Lease liability	105,525	-
Equity attributable to owners of the parent	79,962,424	83,557,947
Non-controlling interest	11,019,725	11,355,191
Total liabilities and equity	118,711,452	122,325,593

Cash and cash equivalents

As noted below in "Liquidity and capital resources", cash and cash equivalents decreased by \$3,910,782 during the nine month period ended September 30, 2019, primarily due to cash used in operating activities, annual lease payments for the Kami Project and cash used in financing activities with respect to a loan facility.

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Short-term investments

During the nine month period ended September 30, 2019, short-term investments increased by \$13,516 as a result of investments maturing and the reinvestment of earned interest.

Receivables and other current assets

Receivables and other current assets include sales and other tax credits receivable, accrued interest receivable, other receivables and prepaid expenses. The total balance of receivables and other current assets increased by \$6,831 during the nine month period ended September 30, 2019 and is primarily explained by the prepayment of annual insurance renewals and regulatory costs and an increase in sales tax credits receivable. These increases were partially offset by a decrease in accrued interest receivable as a result of investments maturing and the amortization of prepaid expenses during the nine month period ended September 30, 2019.

Mineral properties

During the nine month period ended September 30, 2019, mineral properties increased by \$175,096 as a result of the renewal of annual mining and surface rights leases. Development costs capitalized to mineral properties will only increase significantly once the Company's financing plan is in place and the Company commences construction of the Kami Project.

Property, plant and equipment

As of September 30, 2019, property, plant and equipment consisted of the carrying value of construction in progress in the amount of \$16,162,254 (December 31, 2018 - \$16,162,254) pertaining to advances paid or accrued on equipment for the Kami Project, a right of use asset for commercial real estate in the amount of \$101,953 (December 31, 2018 - \$nil) and computer and office equipment in the amount of \$1,425 (December 31, 2018 - \$2,180).

During the nine month period ended September 30, 2019, the balance of property, plant and equipment increased by \$101,198 as a result of the Company's adoption of IFRS 16 and the recognition of a right of use asset in the amount of \$141,847 with respect to commercial real estate. The increase was partially offset by depreciation recorded in the amount of \$40,649 of which \$39,894 relates to the right of use asset and \$755 relates to computer and office equipment.

Payables and accrued liabilities

Payables and accrued liabilities decreased by \$245,392 during the nine month period ended September 30, 2019 which is explained by decreases in accrued equipment purchases (\$153,729) due to the impact of foreign exchange, and trade accounts payable (\$32,966) and accrued legal and professional expenses (\$80,404) due to the timing of payments to third parties. These decreases were partially offset by increases in accrued development and project maintenance costs (\$9,546) and other accrued liabilities (\$21,834) with respect to services incurred during the nine month period ended September 30, 2019.

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Due to related parties

As of September 30, 2019, amounts due to related parties decreased by \$94,878 compared to the balance as of December 31, 2018 and are detailed in "Related party transactions" below.

Loan facility

During the year ended December 31, 2018, The Kami LP, together with Alderon as guarantor, and Sprott Private Resource Lending (Collector), LP ("Sprott") executed a credit agreement with respect to a non-revolving loan facility in the amount of US\$14,000,000 (the "Loan Facility"). The Loan Facility is secured with a mortgage over the Kami Project and accrues interest at a rate of 10% per annum, payable monthly. The Loan Facility requires the Company and The Kami LP to maintain certain consolidated working capital requirements. The maturity date of the Loan Facility is December 31, 2019 which may be extended to June 30, 2020 if certain conditions are met, including the issuance of common shares of the Company for additional consideration of US\$350,000. The Loan Facility is non-revolving, and any repayment under the Loan Facility cannot be reborrowed. The Kami LP may repay the outstanding balance of the Loan Facility, in whole or in part, at any time before maturity, provided that the equivalent of not less than US\$1,400,000 of interest is paid on the Loan Facility.

As of September 30, 2019, the balance of the Loan Facility was \$18,146,005 (December 31, 2018 - \$17,594,412). The increase in the balance of the Loan Facility in the amount of \$551,593 during the nine month period ended September 30, 2019 is explained by accretion recorded in the amount of \$1,071,579, net of a cumulative foreign exchange gain on revaluation of the Loan Facility in the amount of \$519,986.

During the three month period ended September 30, 2019, the Company paid interest in the amount of \$473,020, recorded accretion expense in the amount of \$375,426, and recorded a cumulative foreign exchange loss on revaluation of the Loan Facility in the amount of \$209,951. During the nine month period ended September 30, 2019, the Company paid interest in the amount of \$1,413,250, recorded accretion expense in the amount of \$1,071,579, and recorded a cumulative foreign exchange gain on revaluation of the Loan Facility in the amount of \$519,986.

Lease liability

On January 1, 2019, the Company adopted IFRS 16 and recognized a lease liability in the amount of \$141,847 which was measured at the present value of future lease payments discounted using the Company's incremental borrowing rate of 10%. The Company elected to measure the related right of use asset equal to the lease liability.

During the three and nine month periods ended September 30, 2019, the Company paid interest in the amounts of \$2,603 and \$8,678, respectively, and paid principal in the amounts of \$12,397 and \$36,322, respectively.

Equity attributable to owners of the parent

Equity attributable to owners of the parent decreased by \$3,595,523 during the nine month period ended September 30, 2019 due to the net loss and comprehensive loss attributable to the parent for the period (\$3,834,282) and share issue costs paid (\$5,766). These amounts were partially offset by cash consideration received for common shares issued (\$45,000) and share-based compensation recorded (\$199,525) during the nine month period ended September 30, 2019.

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No distributions or cash dividends were made or declared during the nine month period ended September 30, 2019.

Non-controlling interest

Non-controlling interest represents HBIS Group's 25% interest in the equity of the Company's less than wholly-owned affiliate, The Kami LP, and is classified as a separate component of equity. On initial recognition, non-controlling interest, which represented HBIS Group's \$119.9 million contribution into The Kami LP, was measured at fair value.

Changes in the Company's ownership interest in The Kami LP that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest decreased by \$335,466 during the nine month period ended September 30, 2019, as this represented 25% of the net loss and comprehensive loss incurred by The Kami LP as a stand alone entity.

Liquidity and capital resources

Consolidated statements of cash flows information

As of September 30, 2019, the Company had cash and cash equivalents of \$2,123,066 compared to \$6,033,848 as of December 31, 2018, and a working capital deficit (total current assets less total current liabilities) of \$24,459,656 compared to \$20,305,248 as of December 31, 2018.

The increase in working capital deficit in the amount of \$4,154,408 during the nine month period ended September 30, 2019 is primarily due to the decrease in cash and equivalents. Refer to "Consolidated statements of financial position information" for further discussion of account balance changes during the nine month period ended September 30, 2019.

A summary of cash flows by activity is summarized below.

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net cash used in operating activities	(583,317)	(957,574)	(2,303,154)	(2,765,636)
Net cash used in investing activities	-	(316,227)	(188,612)	(505,040)
Net cash provided by (used in) financing activities	(445,853)	2,828,747	(1,419,016)	(4,320,587)
Net change in cash and cash equivalents	(1,029,170)	1,554,946	(3,910,782)	(7,591,263)
Cash and cash equivalents at the beginning of the period	3,152,236	5,693,926	6,033,848	14,840,135
Cash and cash equivalents at the end of the period	2,123,066	7,248,872	2,123,066	7,248,872

Cash used in operating activities represents net loss and excludes the impact of any non-cash transactions, such as the recording of accretion, share-based compensation costs, depreciation, and certain gains and losses. Additionally, net cash used in operating activities reflects any changes in components of working capital, such as receivables and payables, which fluctuate in a manner that does not necessarily reflect predictable patterns for the overall use of cash, the generation of which depends almost entirely on sources of external financing to fund our evaluation and development initiatives and other expenses.

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Cash used in investing activities primarily represents cash development costs that have been capitalized, changes in short-term investments and additions to property, plant and equipment, as discussed above in "Consolidated statements of financial position information".

Cash used in or provided by financing activities reflects activities with respect to debt and equity transactions. During the three and nine month periods ended September 30, 2019, the Company paid interest on the Loan Facility, made lease payments, incurred share issue costs and received cash consideration for common share issued. During the three and nine month periods ended September 30, 2018, financing activities reflect the extinguishment of convertible debt, receipt of the proceeds from the Loan Facility and related transaction and share issue costs.

As of September 30, 2019, \$1,547,548 of cash and \$1,014,765 in short-term investments are held by The Kami LP, relate to the remaining funds received from the Loan Facility, and are not attributable to the Initial Investment. The Loan Facility requires certain consolidated working capital and other conditions to be maintained by the Company and The Kami LP. The Company will need to obtain additional financing in the near term. See also "Financial instruments and risk management – Liquidity risk" and "Risk factors".

To date, the Company has not recorded any revenues from operations, has no source of operating cash flow and no assurance that additional funding will be available to it for further development of the Kami Project. The Company does not have financial resources sufficient to cover all of its commitments for the coming year, which include amounts payable and accrued liabilities as at September 30, 2019, necessary general and administrative costs through the next twelve months, interest payments on outstanding debt, and contractual obligations in relation to anticipated equipment payments.

Pursuant to a credit agreement with Sprott with respect to the Loan Facility in the amount of US\$14,000,000, the principal balance becomes due on December 31, 2019. Any failure to meet any of the payment obligations under the Loan Facility, or otherwise adhere to the covenants therein or fulfill the other obligations thereunder, may trigger an event of default and a demand for full immediate repayment of all amounts outstanding under the Loan Facility. In particular, unless the Company completes additional financing and/or an amendment to the Loan Facility, the Company anticipates being unable to meet the consolidated working capital covenant during the fourth quarter of the year ending December 31, 2019 which would result in a default event. Should a default event occur, amounts under the Loan Facility may become due immediately. If the Company is unable to repay all amounts outstanding under the Loan Facility, Sprott may realize on its security and the Company could lose its interest in the Kami Project. The Company does not currently have sufficient funds to repay all amounts outstanding with respect to the Loan Facility and is actively engaged in discussions with various parties with respect to possible sources of financing to satisfy such obligations. There can be no assurance that financing will be available in sufficient amounts or on terms acceptable to the Company. Refer to "Corporate activities" and "Outlook" for additional information with respect to the Company's financing strategy.

The Company currently does not have sufficient financial resources to cover all of its originally planned commitments and as a result, it has split its purchase orders for equipment into two phases, engineering and manufacturing. Advances for engineering have been paid in full while commitments for manufacturing, estimated at \$30.4 million, and fabrication remain contingent upon the Company issuing to its suppliers a notice to proceed following successful completion of its financing plan.

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In addition, the Company is committed to paying its amounts payable, of which certain amounts therein become due once financing is obtained. Necessary general and administrative costs are projected at approximately \$3.2 million over the next twelve months, including key management personnel (\$1.2 million), audit, tax, legal and other professional services (\$0.3 million), Kami Project initiatives and maintenance (\$1.0 million) and other corporate and regulatory costs (\$0.7 million). In addition, the principal balance of the Loan Facility in the amount of US\$14.0 million becomes due on December 31, 2019 and requires monthly cash interest payments at a rate of 10% per annum.

Despite the actions taken by the Company, these conditions and events indicate material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The Company is seeking to arrange the necessary funds in order to cover its obligations and commitments. While the Company has been successful in the past in obtaining necessary funds on terms acceptable to the Company, there is no assurance that such funds will be available in the future. The Company continues to advance all of the elements of its financing plan, including debt and equity. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the consolidated financial statements.

The Company does not currently have sufficient resources to fund the construction of the Kami Project. As discussed in the "Outlook" and "Corporate activities" sections, in order to obtain the necessary funds the Company is pursuing a financing strategy based on a combination of a senior debt facility, other debt options, equipment financing and equity. The Company will not be able to commence the construction of the Kami Project until the funds are obtained.

Outstanding share data

As of November 6, 2019, there were 139,353,486 common shares issued and outstanding, 5,610,000 stock options outstanding and 900,000 compensation options outstanding.

Related party transactions

A related party is any person, including close members of that person's family, or entity that has significant influence over the Company. Related parties also include members of our key management personnel - namely, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer, as well as any Vice Presidents reporting directly to a Corporate Executive Board member or officer, acting in that capacity.

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Remuneration attributed to key management personnel can be summarized as follows:

	Three month periods ended		Nine month periods ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Short-term benefits*	261,074	258,839	868,103	803,076
Share-based and deferred share unit compensation	36,003	59,483	199,525	670,155
	297,077	318,322	1,067,628	1,473,231

*include base salaries, pursuant to contractual employment or consultancy arrangements, directors' fees and other non-post-retirement benefits.

Other related parties

Altius: Altius is a significant shareholder of the Company and participated in the Loan Facility by providing one-seventh of the principal amount. In accordance with the Loan Facility, the Company pays one-seventh of interest accrued on the Loan Facility to Altius. Altius received 687,290 common shares of the Company on closing of the Loan Facility.

GN Consulting Services Inc. ("GN Consulting"): GN Consulting is an entity that is owned by Gary Norris, the Executive Vice President of Government & Community Affairs of the Company, and provides consulting services. The fees for these services are consistent with the Company's compensation policies for other management personnel.

HBIS International Holding (Canada) Co., Ltd ("HBIS"): HBIS is a subsidiary of HBIS Group, a significant shareholder of the Company and a 25% owner of The Kami LP. Under the terms of the definitive agreements governing the strategic partnership between HBIS Group, HBIS and the Company, HBIS has the right to appoint two people to the management of The Kami LP. HBIS has nominated two individuals to act as Vice President, Finance & Procurement (China) and Vice President, Strategy & Development. These individuals provide management services to The Kami LP in these roles and HBIS is paid a fee for the provision of these individuals to provide these services. The fees for these services are consistent with the Company's compensation policies for other management personnel.

King & Bay West Management Corp. ("King & Bay"): King & Bay is an entity that is owned by Mark Morabito, the Non-Executive Chairman of the Company's Board of Directors. King & Bay provides certain administrative, management, legal and regulatory, finance, corporate development, information technology support and corporate communications services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company based on rates that are consistent with what King & Bay charges to arms' length third parties. The amount set out in the table below represents amounts paid to King & Bay for the services of King & Bay personnel and for overhead and third party costs incurred by King & Bay on behalf of the Company.

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Liberty: Liberty was a significant shareholder of the Company and provided the Company with financing for which the Company paid interest. As of September 30, 2019, Liberty is no longer a shareholder of the Company.

Transactions entered into with related parties, other than key management personnel and not otherwise disclosed, include the following:

	Three month periods ended		Nine month periods ended	
	September 30, 2019	2018	September 30, 2019	2018
	\$	\$	\$	\$
King & Bay	67,261	128,968	254,181	440,681
HBIS	80,004	80,004	240,012	240,012
	147,265	208,972	494,193	680,693

Transactions with related parties, are described above, were for services rendered to the Company in the normal course of operations, and were measured based on the consideration established and agreed to by the related parties. All services were made on terms equivalent to those that prevail with arm's length transactions.

Amounts owed to related parties, not otherwise disclosed, are summarized below.

	As of September 30, 2019	As of December 31, 2018
	\$	\$
HBIS	256,680	256,680
King & Bay	51,103	50,527
Accrued short-term benefits	-	95,454
	307,783	402,661

The amounts payable to related parties are non-interest bearing, unsecured, and have no fixed terms for payment.

Commitments and contingencies

In connection with the 2010 purchase from Altius of the Kami Property, Alderon committed to paying Altius a 3% gross royalty on iron ore concentrate that is generated from the Kami Project.

In connection with the Strategic Investment, HBIS Group agreed to purchase, upon the commencement of commercial production, 60% of the actual annual production from the Kami Project up to a maximum of 4.8 million tonnes of the first 8.0 million tonnes of iron ore concentrate produced annually at the Kami Project. The price paid by HBIS Group will be based on the Platts Iron Ore Index ("Platts Price"), including additional quoted premium for iron content greater than 62%, less a discount equal to 5% of such quoted price. HBIS Group also will have the option to purchase additional tonnages at a price equal to the Platts Price, without any such discount.

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On July 29, 2014, The Kami LP entered into an off-take agreement (the "Glencore Agreement") with a subsidiary of Glencore plc ("Glencore"), with respect to an off-take transaction pursuant to which Glencore will acquire all of actual annual production from the Kami Project that has not been allocated to HBIS Group. Under the terms of the Glencore Agreement, Glencore will be obligated to purchase upon the commencement of commercial production, 40% of the actual annual production from the Kami Project up to a maximum of 3.2 million tonnes of the first 8.0 million tonnes of iron ore concentrate produced annually at the Kami Project. The term of the Glencore Agreement will continue until The Kami LP has delivered 48.0 million tonnes of iron ore concentrate to Glencore, which is expected to be 15 years after the commencement of commercial production. The market price paid by Glencore will be based on the Platts Price, including additional quoted premium for iron content greater than 62%, less a discount equal to 2% of such quoted price.

As discussed above, as part of Alderon's strategy to source the long-lead mining and processing equipment in sufficient time to adhere to the Kami Project's schedule, the Company has negotiated contracts with suppliers in relation to the purchase of equipment. As of September 30, 2019, payments of \$30,541,000 remain to be paid on the equipment for contracts entered into and approximately \$30,358,000 of this amount is contingent on confirmation by the Company of notice to proceed with fabrication of this equipment.

Including the commitments and contractual obligations discussed above, the Company has the following known commitments as of September 30, 2019:

	Payments due in:				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	\$	\$	\$	\$	\$
Equipment ⁽¹⁾	30,541,000	-	30,541,000	-	-
Loan Facility ⁽²⁾	19,014,000	19,014,000	-	-	-
Lease obligations	115,000	60,000	55,000	-	-
Totals	49,670,000	19,074,000	30,596,000	-	-

⁽¹⁾ Approximately \$30.4 million of this amount is contingent on confirmation by the Company of notice to proceed with fabrication of this equipment.

⁽²⁾ The loan facility is denominated in US dollars. Amounts have been translated based on an exchange rate of CAD\$1.00 = US\$0.7551.

Off-balance sheet arrangements

As of September 30, 2019, the Company did not have any off-balance sheet arrangements.

Significant accounting policies and critical accounting estimates and judgments

Significant accounting policies

The accounting policies disclosed in the notes to the annual consolidated financial statements of the Company for the year ended December 31, 2018 have been applied consistently to all periods presented in the accompanying condensed interim consolidated financial statements, except as outlined below.

Leases

Effective January 1, 2019, the Company adopted IFRS 16, *Leases* retrospectively, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. The Company elected to measure its right of use asset at the amount equal to the associated lease liability; as such, the adjustment to retained earnings was \$nil. Upon adoption, the Company elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight line basis for short term leases (lease term of 12 months or less) and low value assets. The Company also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short term leases. Upon adoption of IFRS 16, the Company recognized an additional right of use asset and lease liability related to commercial real estate in the amount of \$141,847. From January 1, 2019, the Company recognizes depreciation expense on the right of use asset and interest expense on lease liabilities with lease payments recorded as a reduction of the lease liability. Prior to the adoption of IFRS 16, lease payments were recorded as expenses in the consolidated statements of comprehensive loss. The adoption of IFRS 16 has not had a significant impact on earnings. Further information on the adoption of IFRS 16, right of use asset and lease liability are disclosed in the notes to the accompanying condensed interim consolidated financial statements.

Critical accounting estimates and judgments

The preparation of the Company's condensed interim consolidated financial statements in accordance with IAS 34 requires management to make estimates about and apply assumptions to future events and other matters that affect the reported amounts of the Company's assets, liabilities, expenses and related disclosures. Assumptions and estimates are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's condensed interim consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions and estimates in order to ensure that the condensed interim consolidated financial statements are presented fairly and in accordance with IAS 34.

Critical accounting estimates are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment. The significant judgments made by the Company in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company for the year ended December 31, 2018.

Capital disclosures

The Company's capital structure currently consists of equity and debt financing to provide for: development and other Kami Project activities; general and administrative expenses; working capital; and capital expenditures.

Management regularly monitors the Company's capital structure and makes adjustments thereto based on funds available to the Company for the acquisition, exploration and development of mineral properties. The Board of Directors has not established quantitative return on capital criteria for capital management, but rather relies upon the expertise of the management team to sustain the future development of the business.

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The properties in which the Company currently has an interest are in the development stage, and the Company does not generate any revenue. Accordingly, the Company is dependent upon sources of external financing to fund both the Kami Project and its other costs. While the Company endeavors to minimize dilution to its shareholders, management has in the past engaged in dilutive financial transactions, such as private placements, and may engage in dilutive arrangements in the near term.

The Company's policy on dividends is to retain cash to keep funds available to finance the activities required to advance the Company's Kami Project. The Loan Facility requires certain consolidated working capital and other conditions to be maintained by the Company and The Kami LP. As previously disclosed, the Company will need to obtain additional financing in the near term to avoid a default event under the terms of the Loan Facility.

Financial instruments and risk management

As of September 30, 2019, financial instruments are comprised of cash and cash equivalents, short-term investments, receivables, payables and accrued liabilities, amounts due to related parties, Loan Facility and lease liability.

The carrying values of the Company's cash and cash equivalents, short-term investments, receivables, payables and accrued liabilities and amounts due to related parties approximate their fair values due to their short-term maturities or to the prevailing interest rates of the related instruments, which are comparable to those of the market. As of September 30, 2019, the determination of the fair values of the Loan Facility and lease liability are based on a discounted cash flow model using an interest rate of 10%, which reflects the Company's current rate of borrowing.

The fair values of the Company's financial assets and liabilities, together with the carrying values included in the condensed interim consolidated statements of financial position, as of September 30, 2019 are presented below. In the following tables, receivables exclude sales and other tax credits.

As of September 30, 2019

	<u>Carrying value</u>	<u>Fair value</u>
	\$	\$
Financial assets		
Cash and cash equivalents	2,123,066	2,123,066
Short-term investments	1,014,765	1,014,765
Receivables	9,772	9,772
Financial liabilities		
Payables and accrued liabilities	(9,169,990)	(9,169,990)
Due to related parties	(307,783)	(307,783)
Loan facility	(18,146,005)	(17,705,802)
Lease liability	(105,525)	(105,525)
	<u>(24,581,700)</u>	<u>(24,141,497)</u>

The Company is exposed in varying degrees to certain risks arising from financial instruments, as discussed below.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

As discussed above, the Company's capital management objectives include working to ensure that the Company has sufficient liquidity to fund Company activities that are directly and indirectly related to the advancement of the Kami Project.

The Company endeavors to ensure that it will have sufficient liquidity in order to meet short to medium-term business requirements and all financial obligations as those obligations become due. Historically, sufficient liquidity has been provided predominantly through external financing initiatives, including strategic, traditional and flow-through private placements to investors and institutions. The Company does not currently have sufficient resources to fund the construction of the Kami Project. Alderon is actively engaged in discussions to raise the necessary capital to meet its funding requirements for the Kami Project and repay the Loan Facility, including debt and equity financing or through the completion of a strategic transaction. The Company will continue to rely upon sources of external financing in future periods until such time as commercial production commences. There is no assurance that financing of sufficient amounts or on terms acceptable to the Company will be available.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's receivables include sales tax credits due from Canadian federal and provincial tax agencies and interest receivable from high-credit quality Canadian financial institutions. Additionally, the Company's cash and cash equivalents and short-term investments are held in deposit at high-credit quality Canadian financial institutions. As a result, management considers the risk of non-performance related to accounts receivable, cash and cash equivalents and short-term investments to be minimal.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fluctuations of market interest rates have little impact on the Company's financial results since the Company does not have variable rate debt as of September 30, 2019. Changes in market interest rates do not have an impact on interest expense related to the Loan Facility because the rate of the Loan Facility is fixed.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign exchange risk relating to financial instruments that are denominated in US dollars, including cash and cash equivalents, payables and accrued liabilities and the Loan Facility.

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A 10% increase in the value of the US dollar versus the Canadian dollar would affect the consolidated net loss and comprehensive loss of the Company by approximately \$2.3 million. The Company has not hedged its exposure to fluctuations in the US dollar.

Risk factors

The exploration of mineral deposits involves significant risks and uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. A comprehensive list of risk factors relating to our business is provided under the heading, "Risk factors", in the Company's Annual Report for the year ended December 31, 2018, which is available on SEDAR, at www.sedar.com. Certain of the more prominent risk factors that may materially affect the Company's future performance, in addition to those referred to above, are listed hereunder.

Risks associated with secured debt.

The Company's obligations under the Loan Facility are secured against the Kami Project. Any failure to meet any of the payment obligations under the Loan Facility, or otherwise adhere to the covenants therein or fulfill the other obligations thereunder, may trigger an event of default and a demand for full immediate repayment of all amounts outstanding under the Loan Facility. In particular, unless the Company completes additional financing and/or an amendment to the Loan Facility, the Company anticipates being unable to meet the consolidated working capital covenant during the fourth quarter of the year ending December 31, 2019 which would result in a default event. Should a default event occur, amounts under the Loan Facility may become due immediately. If the Company is unable to repay all amounts outstanding under the Loan Facility, Sprott may realize on its security and the Company could lose its interest in the Kami Project. The Company does not currently have sufficient funds to repay all amounts outstanding with respect to the Loan Facility and is actively engaged in discussions with various parties with respect to possible sources of financing to satisfy such obligations. There can be no assurance that financing will be available in sufficient amounts or on terms acceptable to the Company.

Alderon depends on a single mineral project.

The Kami Property accounts for all of Alderon's mineral resources and exclusively represents the current potential for the future generation of revenue. Mineral exploration and development involves a high degree of risk that even a combination of careful evaluation, experience and knowledge cannot eliminate and few properties that are explored are ultimately developed into producing mines. Any adverse development affecting the Kami Property will have a material adverse effect on our business, prospects, financial position, results of operations and cash flows.

The successful start of mining operations at, and the development of, the Kami Project into a commercially viable mine cannot be assured.

Development of mineral properties involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The commercial viability of a mineral deposit is dependent upon a number of factors which are beyond Alderon's control, including the attributes of the deposit, commodity prices, government policies and regulation and environmental protection. Fluctuations in the market prices of minerals may render resources and deposits containing relatively lower grades of mineralization uneconomic.

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There are numerous activities that need to be completed in order to successfully commence development and production at the Kami Project, including, without limitation: optimizing the mine plan; recruiting and training personnel; having available funds to finance construction and development activities; avoiding potential increases in costs; negotiating contracts for railway transportation and port loading and handling; updating, renewing and obtaining, as required, all necessary permits, including, without limitation, environmental permits; and handling any other infrastructure issues. There is no certainty that we will be able to successfully complete these activities, since most of these activities require significant lead times, and we will be required to manage and advance these activities concurrently in order to begin production. A failure or delay in the completion of any one of these activities may delay production, possibly indefinitely, at the Kami Project and would have a material adverse effect on our business, prospects, financial position, results of operations and cash flows.

As such, there can be no assurance that Alderon will be able to complete development of the Kami Project at all, on time or in accordance with any budgets due to, among other things, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support operations. Failure to successfully complete these events as expected would have a material adverse effect on our business, prospects, financial position, results of operations and cash flows.

There is no assurance that Alderon will ever achieve production or that the Company will ever be profitable if production is achieved.

Alderon currently relies on only two customers for 100% of its expected iron ore concentrate production.

Alderon currently relies on two significant customers for 100% of the Alderon expected output of 8 Mt of iron ore concentrate annually once the commencement of commercial production occurs. Alderon has entered into the Off-Take Agreement with HBIS Group, a related party who owns 25% of The Kami LP and 18.7% of the Company's common shares. As part of this agreement, upon the commencement of commercial production, HBIS Group is obligated to purchase 60% of the actual annual production from the Kami Property, up to a maximum of 4.8 Mt of the first 8.0 Mt of iron ore concentrate produced annually at the Kami Property. In addition, the Company entered into the Glencore Agreement with respect to an off-take transaction pursuant to which Glencore will acquire all of actual annual production from the Kami Project that has not been allocated to HBIS Group. As noted above, Glencore will be obligated to purchase upon the commencement of commercial production, 40% of the actual annual production from the Kami Project up to a maximum of 3.2 million tonnes of the first 8.0 million tonnes of iron ore concentrate produced annually at the Kami Project.

As a result of reliance on these two customers for the entirety of Alderon's iron ore production, Alderon could be subject to adverse consequences if HBIS Group or Glencore breach their purchase commitments.

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Titles and other rights to the Kami Property cannot be guaranteed and may be subject to prior unregistered agreements, transfers or claims and other defects.

Alderon cannot guarantee that title to the Kami Property will not be challenged. Alderon may not have, or may not be able to obtain, all necessary surface rights to develop the Kami Property. Title insurance generally is not available for mineral properties, and our ability to ensure that we have obtained secure claim to individual mineral properties or mining concessions comprising the Kami Property may be severely constrained. The Kami Property may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. We have not conducted surveys of all of the claims in which we hold direct or indirect interests. A successful challenge to the precise area and location of these claims could result in our being unable to operate on all or part of the Kami Property as permitted or being unable to enforce our rights with respect to all or part of the Kami Property. This could result in Alderon not being compensated for its prior expenditures relating to the property. In addition, Alderon's ability to continue to explore and develop the property may be subject to agreements with other third parties including agreements with aboriginal groups. For instance, Alderon has concluded agreements with the Innu Nation of Labrador and the NunatuKavut pursuant to which these groups will provide their support for the Kami Project in return for certain benefits.

Alderon needs to enter into contracts with external service providers.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. In order to develop a mine at the Kami Project, we will need to negotiate and conclude various agreements with external service providers for rail transportation and port loading and handling, and these are important determinants that affect capital and operating costs. The inability to conclude any such agreements could have a material adverse effect on the Company's financial position, results of operations and cash flows and render the development of a mine on the Kami Project unviable.

Alderon's activities are subject to environmental laws and regulations that may increase Alderon's costs of doing business and restrict the Company's operations.

All of our exploration, potential development and production activities in Canada are subject to regulation by governmental agencies under various environmental laws, including with respect to air emissions, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Compliance with environmental laws and regulations may require significant capital outlays on behalf of Alderon and may cause material changes or delays in our intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect our business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of our business, causing us to re-evaluate those activities at that time. Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulator or judicial authorities, causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

The Newfoundland and Labrador Environmental Assessment Release is valid only by annual extension until January 2020. By this date, The Kami LP must start construction, request Ministerial exemption or risk the requirement for a new assessment either in full or under an abridged methodology. There is no legislated deadline for the start of construction with respect to the Federal Environmental Assessment Release.



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Alderon may experience difficulty attracting and retaining qualified management and technical personnel to meet the needs of its anticipated growth.

We are dependent on the services of key executives, including our Non-Executive Chairman and Chief Executive Officer, Chief Financial Officer and other highly skilled and experienced executives and personnel focused on managing Alderon's interests and the advancement of the Kami Property and on identifying new opportunities for growth and funding. Due to our relatively small size, the loss of these persons or our inability to attract and retain additional highly skilled employees, on a timely basis or at all, required for the development of our activities may have a material adverse effect on our business or future operations.

We also anticipate that, as we bring the Kami Project into production and, where appropriate, acquire additional mineral rights, we will experience significant growth in our operations. We expect this growth to create new positions and responsibilities for management and technical personnel and to increase demands on our operating and financial systems. There can be no assurance that we will successfully meet these demands and effectively attract and retain additional qualified personnel to manage our anticipated growth. The failure to attract such qualified personnel to manage growth would have a material adverse effect on our business, financial position, results of operations and cash flows.

The Company does not have financial resources sufficient to cover all of its commitments for the coming year, therefore, material uncertainties exist that may cast significant doubt upon the Company's ability to continue as a going concern.

Alderon currently has limited financial resources, no cash inflows from production and negative operating cash flows. Although Alderon has completed the engineering work required to commence construction at the Kami Project, the commencement of construction of the Kami Project is subject to the completion of the Company's financing plan.

The Company does not have financial resources sufficient to cover all of its commitments for the coming year and must secure sufficient funding to meet its existing commitments. In addition, further development and exploration of the Kami Property depends upon Alderon's ability to obtain financing through strategic partnerships, equity or debt financings, production-sharing arrangements or other dilutive or non-dilutive means. There is no assurance that Alderon will be successful in obtaining required financing on acceptable terms, or at all. If Alderon is unable to obtain additional financing it may consider other options, such as (i) selling assets, (ii) selling equity, or (iii) selling interests in the Kami Property. If Alderon raises additional funding by issuing additional equity securities or other securities that are convertible into equity securities, such financings may substantially dilute the interest of existing or future shareholders. Sales or issuances of a substantial number of securities, or the perception that such sales could occur, may adversely affect the prevailing market price of Alderon's common shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in earnings per share. Failure to obtain additional financing could result in an indefinite postponement of further exploration and development of the Kami Property and will have a material adverse effect on Alderon's business, prospects, financial position, results of operations and cash flows.

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Alderon is pursuing a financing strategy for the Kami Project that includes obtaining a senior debt facility to complete the construction and start-up of the Kami Project. The completion of the financing plan has taken longer than anticipated. There can be no assurance that Alderon will receive commitments from lenders for a senior debt facility or that Alderon will be able to negotiate binding agreements with respect to a senior debt facility. There can be no assurance that the Company will successfully conclude a senior debt facility or any of its financing strategy. These conditions and events indicate material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The failure of Alderon to enter into the senior debt facility on reasonable terms, or at all, could delay construction and start-up of the Kami Project. The Company may be unable to continue its operations, which would have a material adverse effect on Alderon's business, financial position, results of operations and cash flows.

If the going concern assumption was not appropriate, adjustments to the carrying value of assets and liabilities, reported expenses and consolidated statement of financial position classifications would be necessary. Such adjustments could be material.

Alderon has a history of losses and expects to incur losses for the foreseeable future.

Alderon has incurred losses since its inception and expects to incur losses for the foreseeable future. We expect to continue to incur losses unless and until such time as the Kami Project enters into commercial production and generates sufficient revenues to fund continuing operations. The development of the Kami Project will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, including the progress of ongoing exploration, evaluation and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred, the execution of any agreements with strategic partners and our acquisition of additional properties. Some of these factors are beyond our control. There can be no assurance that Alderon will ever achieve profitability.

Our securities are subject to price volatility.

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations that have not been necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in our share price will not occur. It may be anticipated that any quoted market for our common shares will be subject to market trends generally, notwithstanding any potential success in creating revenues, cash flows or earnings. The value of our common shares will be affected by such volatility.

Internal control over financial reporting

During the nine month period ended September 30, 2019, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



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Additional information

Additional information relating to the Company, including the Company's Annual Report for the year ended December 31, 2018 is available on SEDAR at www.sedar.com.

Approval

The Board of Directors of Alderon Iron Ore Corp. has approved the information and disclosures contained in this MD&A.