ALDERON RESOURCE CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

(Stated in Canadian Dollars)

DAVIDSON & COMPANY LLP — Chartered Accountants — A Partnership of Incorporated Professionals

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Alderon Resource Corp.

We have audited the accompanying consolidated financial statements of Alderon Resource Corp. (the "Company") which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, cash flows and shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alderon Resource Corp. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 18, 2011

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ALDERON RESOURCE CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT

		DECEMBER 31, 2010		DECEMBER 31, 2009
ASSETS				
Current				
Cash and cash equivalents	**$**	**24,376,060**	$	1,504,920
Receivables		**515,405**		11,173
Prepaids		**656,726**		-
		25,548,191		1,516,093
Equipment (Note 3)		**304,290**		-
Resource properties (Note 4 & 5)		**98,797,975**		-
	$	**124,650,456**	$	1,516,093
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**896,088**	$	181,861
Due to related parties (Note 8)		**131,097**		44,824
		1,027,185		226,685
Future income tax liability (Note 9)		**1,274,179**		-
		2,301,364		226,685
SHAREHOLDERS' EQUITY				
Share capital (Note 6)				
Authorized: Unlimited number of common shares without par value Issued: 81,589,189 (December 31, 2009 – 9,279,081 common shares)	**$**	**136,596,977**	$	20,164,894
Subscriptions received in advance		**-**		1,500,000
Contributed surplus (Note 6)		**7,944,488**		256,477
Deficit		**(22,192,373)**		(20,631,963)
		122,349,092		1,289,408
	$	**124,650,456**	$	1,516,093

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved on Behalf of the Board of Directors:

"Mark J. Morabito"	"Brad Boland"
Director	Director

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

ALDERON RESOURCE CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	YEARS ENDED DECEMBER 31	
	2010	2009
Administrative expenses:		
Accounting and audit fees	$ **143,298**	$ 50,273
Amortization	**39,935**	-
Bank charges and interest	**11,479**	2,245
Consulting fees	**525,007**	254,200
Insurance	**12,865**	-
Investor relations	**300,996**	-
Legal fees	**143,626**	3,757
Management fees	**591,670**	55,000
Office and administration	**152,706**	86,203
Rent	**96,971**	-
Stock-based compensation	**1,978,198**	-
Transfer agent and filing fees	**72,902**	16,922
Travel	**217,309**	-
Wages	**349,314**	-
Loss before other items	**(4,636,276)**	(468,600)
Other items:		
Gain on settlement of accounts payable	**-**	237,265
Interest	**62,329**	-
Loss on sale of marketable securities	**-**	(583,030)
Loss before income taxes	**(4,573,947)**	(814,365)
Future income tax recovery (expense)	**3,013,537**	(56,149)
Net loss and comprehensive loss for the year	$ **(1,560,410)**	$ (870,514)
Basic and diluted loss per common share	$ **(0.04)**	$ (0.20)
Basic and diluted weighted average number of common shares outstanding	**36,624,142**	4,437,985

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

ALDERON RESOURCE CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31	
	2010	2009
Cash flows used in operating activities		
Net loss for the year	**$ (1,560,410)**	$ (870,514)
Items not affecting cash		
Amortization	**39,935**	-
Gain on settlement of accounts payable	**-**	(237,265)
Income tax (recovery) expense	**(3,013,537)**	56,149
Loss on sale of marketable securities	**-**	583,030
Stock-based compensation	**1,978,198**	-
Unrealized gain on foreign exchange	**13,732**	-
	(2,542,082)	(468,600)
Net change in non-cash working capital items:		
Receivables	**(498,412)**	(8,043)
Prepaids	**(656,726)**	-
Accounts payable and accrued liabilities	**69,340**	313,641
Due to related parties	**22,845**	
Cash used in operating activities	**(3,605,035)**	(163,002)
Cash flows from investing activities		
Proceeds on sale of marketable securities	**-**	13,320
Resource property costs	**(6,543,901)**	-
Acquisition of equipment	**(344,225)**	-
Acquisition costs for 0860132 BC Ltd.	**(106,480)**	-
Cash provided by (used in) investing activities	**(6,994,606)**	13,320
Cash flows from financing activities		
Due to related parties	**-**	35,649
Shares issued for cash, net of share issuance costs	**33,470,781**	140,678
Subscription receipts	**-**	1,500,000
Loan advances	**-**	48,000
Loan repayments	**-**	(94,500)
Cash provided by financing activities	**33,470,781**	1,629,827
Increase in cash and cash equivalents	**22,871,140**	1,480,145
Cash and cash equivalents, beginning of the year	**1,504,920**	24,775
Cash and cash equivalents, end of the year	**$ 24,376,060**	**$** 1,504,920
Cash consist of:		
Cash	**$ 686,797**	$ 4,920
Liquid short-term investments	**23,689,263**	-
Cash held in trust	**-**	1,500,000
	$ 24,376,060	$ 1,504,920

Supplemental disclosures with respect to cash flows (Note 7)

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

ALDERON RESOURCE CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

	SHARE CAPITAL		SUBSCRIPTIONS RECEIVED IN ADVANCE	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE LOSS	DEFICIT	TOTAL
	NUMBER	AMOUNT					
Balance, December 31, 2008	3,279,081	$ 19,668,067	$ -	$ 256,477	$ (539,640)	$ (19,761,449)	$ (376,545)
Private placement (Note 6)	3,000,000	140,678	-	-	-	-	140,678
Debt settlement	3,000,000	300,000	-	-	-	-	300,000
Share subscriptions received	-	-	1,500,000	-	-	-	1,500,000
Unrealized losses on available-for-sale investments	-	-	-	-	(37,050)	-	(37,050)
Transferred loss	-	-	-	-	576,690	-	576,690
Tax expense on flow-through	-	56,149	-	-	-	-	56,149
Net loss for the period	-	-	-	-	-	(870,514)	(870,514)
Balance, December 31, 2009	9,279,081	20,164,894	1,500,000	256,477	-	(20,631,963)	1,289,408
Fractional rounding from share consolidation	(80)	-	-	-	-	-	-
Private placement (Note 6)	10,000,000	1,500,000	(1,500,000)	-	-	-	-
Private placement (Note 6)	10,000,000	10,000,000	-	-	-	-	10,000,000
Private placement (Note 6)	1,818,182	5,000,000	-	-	-	-	5,000,000
Private placement (Note 6)	9,125,000	15,004,473	-	5,070,527	-	-	20,075,000
Share issue costs – cash	-	(1,818,313)	-	(337,906)	-	-	(2,156,219)
Share issue costs – agent warrants	-	(1,049,823)	-	1,049,823	-	-	-
Acquisition costs (Note 5)	32,285,006	79,421,115	-	-	-	-	79,421,115
Warrant exercise	4,042,000	511,272	-	(19,272)	-	-	492,000
Stock option exercise	40,000	113,359	-	(53,359)	-	-	60,000
Acquisition of 0860132 BC Ltd. (Note 4)	5,000,000	9,000,000	-	-	-	-	9,000,000
Tax benefit renounced to flow-through shareholders	-	(1,250,000)	-	-	-	-	(1,250,000)
Stock-based compensation (Note 6)	-	-	-	1,978,198	-	-	1,978,198
Net loss for the year	-	-	-	-	-	(1,560,410)	(1,560,410)
Balance, December 31, 2010	81,589,189	$ 136,596,977	$ -	$ 7,944,488	$ -	$ (22,192,373)	$ 122,349,092

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Alderon Resources Corp. ("the Company") is an exploration stage company whose common shares trade on the TSX Venture Exchange and is in the business of acquiring, exploring and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed.

On September 1, 2004, the Company changed its name from Truax Ventures Corp. to Aries Resource Corp. and then again on September 24, 2008, the Company changed its name from Aries Resource Corp. to Alderon Resource Corp.

On March 3, 2010, pursuant to a special resolution passed by the shareholders on December 8, 2009, the Company consolidated its common shares on a 2 old common shares for 1 new common share basis. All share and per share amounts are presented on a post-consolidated basis unless stated otherwise.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("GAAP") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and 0860132 BC Ltd. (Note 4); which is a wholly-owned subsidiary. All inter-company transactions and balances have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the years reported. In particular, the Black-Scholes stock price valuation model used to value warrants and stock options requires the input of highly subjective assumptions regarding stock price volatility.

Changes in these assumptions can materially affect the fair value estimate, and therefore, the Black-Scholes model does not necessarily provide a reliable measure of fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Use of Estimates (cont'd...)

Other significant estimates used relate to the impairment of resource property interests, valuation of asset retirement obligations and the valuation allowance for future income tax assets. Actual results may differ significantly from estimates and assumptions.

Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash and cash equivalents as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, all of which are measured at amortized cost. The Company has elected to measure all derivatives and embedded derivatives at fair value and the Company maintained its policy not to use hedge accounting.

The Company also provides the required disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

See note 11 for relevant disclosures.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to include cash on deposit and highly liquid short-term interest bearing variable rate investments with maturity of three months or less. Interest earned is recognized immediately in operations.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment is recorded at cost less accumulated amortization. The equipment below is amortized over its useful life using the following annual rate and methods:

Computer and office equipment	30%	Declining balance
Computer software	45%	Declining balance
Exploration equipment	20%	Declining balance
Furniture and fixtures	20%	Declining balance
Building	4%	Declining balance

Resource Properties

Costs related to the acquisition, exploration and development of resource properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Asset Retirement Obligations

An asset retirement obligations is the legal obligation relating to retirement of long lived assets, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. If the fair value of the liability decreases due to changes in future cash flow estimates, a corresponding decrease in the related asset is recorded. If the reduction exceeds the value of the related asset, the remaining amount is reduced through earnings.

The Company does not have any significant asset retirement obligations.

Flow-Through Shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. To the extent that the future tax liabilities created by the renunciation exceed the future tax assets available, the Company records a reduction in capital stock for the estimated tax benefits transferred to shareholders.

When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, is recognized as a recovery of income taxes in the statement of operations.

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Stock-Based Compensation

The Company recognizes stock-based compensation expense based on the estimated fair value of the options on the date of grant, determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both stock-based compensation expense and contributed surplus. The contributed surplus account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method of tax allocation, future tax assets and liabilities are determined based on differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and losses carried forward. Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Carrying amounts are written off to the extent capitalized costs exceed the expected undiscounted net cash flows from their use and eventual disposition proceeds.

Foreign Currency Translation

The Company's functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currency are translated into Canadian dollars at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Any gains or losses resulting from translation have been included in the statement of operations.

Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New Canadian Accounting Pronouncements

Future accounting changes

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New Canadian Accounting Pronouncements (cont'd…)

Future accounting changes (cont'd...)

Comprehensive Revaluation of Assets and Liabilities (Section 1625) and Equity (Section 3251)

As a result of issuing CICA Handbook sections 1582, 1601, and 1602, CICA Handbook Section 1625 has been amended and is effective prospectively beginning on or after January 1, 2011. Section 3251, Equity, has been amended as a result of issuing Section 1602 and applies to entities that have adopted this section. The Company does not expect any material impact on its financial position, operating results or disclosure on the adoption of this new section.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's existing GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date will be January 1, 2010 and this will require the restatement for comparative purposes of amounts reported by the Company for each of the quarters for the year ended December 31, 2010. The Company has completed the diagnostic phase of planning for the implementation of IFRS. It has determined that the principal areas of impact will be IFRS 1 – first time adoption; presentation of financial statements; flow through shares and share-based payments; exploration costs; impairment of long-lived assets; asset retirement obligations and future income taxes. The Company expects its detailed analysis of relevant IFRS requirements and of IFRS 1 will be complete by the end of its fiscal quarter ending March 31, 2011, along with its determination of changes to accounting policies and choices to be made. The Company has not yet reached the stage where a quantified impact of conversion on its financial statements can be measured. The Company expects to complete its quantification of financial statement impacts by the end of its fiscal quarter ending March 31, 2011.

(Expressed in Canadian Dollars)

3. EQUIPMENT

	December 31, 2010			December 31, 2009		
Description	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Building	$ 180,000	$ 5,400	**$ 174,600**	$ -	$ -	$ -
Computer & office equipment	10,058	2,429	**7,629**	-	-	-
Computer software	32,781	10,880	**21,901**	-	-	-
Exploration Equipment	118,396	20,709	**97,687**	-	-	-
Furniture & fixtures	2,990	517	**2,473**	-	-	-
	$ 344,225	$ 39,935	**$ 304,290**	$ -	$ -	$ -

4. ACQUISITION

Effective March 3, 2010, the Company acquired all of the outstanding common shares of 0860132 BC Ltd. ("Privco"). In consideration, the Company issued 5,000,000 common shares of the Company to Privco's shareholders. On March 3, 2010, the agreement was completed and the Company issued the 5,000,000 post-consolidated common shares to Privco shareholders and paid acquisition costs of $106,480, with a total value of $9,106,480.

The cost of the asset acquisition should be based on the fair value of the consideration given, except where the fair value of the consideration given is not clearly evident. In the case of the Company, the fair value of the consideration given was used which was allocated amongst the fair value of the assets and liabilities of Privco as of the date of acquisition.

(Expressed in Canadian Dollars)

4. ACQUISITION (cont'd...)

The acquisition of Privco constitutes a related party transaction, and since the transaction has commercial substance and is not in the normal course of operations, it has been measured at the exchange amount.

The total purchase price of $9,106,480 includes the following:

Common shares issued (Note 6)	$	9,000,000
Acquisition costs		106,480
	$	9,106,480

The purchase price of $9,106,480 was allocated as follows:

Receivables	$	5,820
Resource properties		12,285,312
Current liabilities		(146,936)
Future income tax liability		(3,037,716)
	$	9,106,480

These consolidated financial statements include the results of operations of Privco from March 3, 2010, the date of acquisition.

(Expressed in Canadian Dollars)

5. RESOURCE PROPERTIES

Kami Project

In connection with the acquisition of Privco, The Company acquired an option with Altius Resources Inc. ("Altius") to acquire a 100% interest in certain claims located in Western Labrador and Quebec ("the claims").

On December 6, 2010, the Company exercised its option and acquired a 100% interest in the Kamistiatusset ("Kami") iron ore project in western Labrador. The option was exercised by the Company spending the required $7,000,000 on exploration expenditures and issuing an aggregate of 32,285,006 common shares valued at $79,421,115 from its treasury to Altius. Altius also retains a 3% gross sales royalty on iron ore concentrate from the Kami Project.

As of December 31, 2010, the Company had spent a total of $7,091,549 on exploration expenditures and $91,706,426 on acquisition costs (Note 4).

	Kami Project $
Balance, December 31, 2009	$ -
Permitting	275
Drilling	5,427,993
Geology	786,946
Geophysics	851,156
Administration	25,179
Acquisition costs	91,706,426
Total for period	98,797,975
Balance, December 31, 2010	**$ 98,797,975**

6. SHARE CAPITAL

Share issuances

During the year ended December 31, 2010, the following share transactions were completed:

- On March 3, 2010, the Company consolidated its common shares on the basis of one post-consolidated common share for every two pre-consolidated common shares. The 18,558,162 pre-consolidated common shares were reduced to 9,279,001 post consolidated common shares. Stock options and warrants were similarly adjusted.

- On February 16, 2010, the Company closed a private placement for $10,000,000, through the issuance of 10,000,000 subscription receipts at a price of $1.00 per receipt. On March 3, 2010, the 10,000,000 subscription receipts issued converted into 10,000,000 common shares of the Company. A cash finder’s fee of $445,500 and 445,500 finder’s warrants valued at $127,466 were issued in connection with this private placement. Each finder’s warrant entitles the holder to purchase one post-consolidated common share of the Company for $1.00, on or before February 16, 2011.

- On March 3, 2010, 10,000,000 subscription receipts issued in December 2009 at $0.15 per subscription receipt for total proceeds of $1,500,000 automatically converted into 10,000,000 common shares of the Company and the proceeds of the financing have been released from escrow. In connection with this private placement, the Company issued 1,000,000 finder’s warrants, valued at $7,407, each warrant entitling the holder to acquire one post-consolidated common share of the Company for $0.15, on or before December 22, 2010. These warrants were exercised during the year.

- On March 3, 2010, the Company issued 5,000,000 common shares in connection with the acquisition of 0860132 BC Ltd. (see Note 4).

- On March 23, 2010, the Company closed a non-brokered private placement of 1,818,182 flow-through shares (“Flow-Through Shares”) at a price of $2.75 per Flow-Through Share for gross proceeds of $5,000,000 (the “Flow-Through Private Placement”). Each Flow-Through Share qualifies as a "flow-through share" for the purposes of the *Income Tax Act* (Canada). In connection with the Flow-Through Private Placement, the Company paid a cash finder’s fee of $250,000, equal to 5% of the gross proceeds received. The Company also issued 90,910 finder’s warrants valued at $100,866. Each Finder’s Warrant may be exercised for one common share of the Company at an exercise price of $2.75 per Finder’s Warrant for a period of two years.

6. SHARE CAPITAL (cont'd...)

- 4,042,000 warrants with an exercise price ranging from $0.10 to $1.00 per warrant were exercised for gross proceeds of $492,000. An amount of $19,272, representing the fair value of these warrants on granting was reclassified from contributed surplus to share capital on exercise.

- 40,000 stock options with an exercise price of $1.50 were exercised for gross proceeds of $60,000. An amount of $53,359, representing the fair value of the options on granting was reclassified from contributed surplus to share capital on exercise.

- On December 6, 2010, 32,285,006 common shares of the Company, with a fair value of $79,421,115 were issued pursuant to the acquisition of 100% interest in Kami project (Note 5).

- On December 16, 2010, the Company completed a private placement of 9,125,000 units of the Company at a price of $2.20 per unit for gross proceeds of $20,075,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share at a price of $2.80 for a period of 24 months from the closing date. In connection with the private placement, the Company paid the underwriters a cash commission of $1,204,500, equal to 6% of the gross proceeds and issued 547,500 finder's warrants valued at $814,084, at an exercise price of $2.20 for a period of 24 months from the closing date. These finder's warrants include one-half of one common share purchase warrant exercisable at $2.80 per warrant for a period of 24 months from the closing date.

During the year ended December 31, 2009, shares were issued as follows:

- On September 22, 2009, the Company closed a private placement for gross proceeds of $150,000 by issuing 3,000,000 units of the Company at $0.05 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into an additional common share for a period of two years, at an exercise price of $0.10 during the first year and $0.20 during the second year. In connection with this private placement, the Company incurred $9,322 of share issuance costs.

- On November 25, 2009, the Company settled accounts payable of $300,000 by issuing 3,000,000 common shares at a price of $0.10 per share.

- On December 22, 2009, the Company issued 10,000,000 subscription receipts, at a price of $0.15 per subscription receipt, for total proceeds of $1,500,000. At December 31, 2009, the proceeds were being held in trust pending the completion of a 2 for 1 share consolidation and the acquisition of a private British Columbia Company. This private placement closed during the 2010 fiscal year.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (cont'd...)

Warrants

The following is a summary of warrants outstanding at December 31, 2010 and December 31, 2009 and changes during the periods then ended.

	December 31, 2010			December 31, 2009		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Outstanding, beginning of the year	3,000,000	$	0.10	90,000	$	2.00
Issued	6,646,410		2.23	3,000,000		0.10
Expired	-		-	(90,000)		2.00
Exercised	(4,042,000)		0.12	-		-
Outstanding, end of the year	5,604,410	$	2.61	3,000,000	$	0.10

As at December 31, 2010, the Company had the following warrants outstanding:

Exercise price		Number outstanding	Expiry Date
$	1.00[1]	403,500	February 16, 2011 (subsequently exercised)
	2.75[1]	90,910	March 23, 2012
	2.80	4,562,500	December 16, 2012
	2.20[1]	547,500	December 16, 2012
		5,604,410	

[1] Finder's warrants issued in connection with the February, March and December 2010 financings

The following weighted average assumptions were used for the valuation of warrants issued during the year ended December 31, 2010:

	December 31, 2010	December 31, 2009
Risk-free interest rate	1.20%	-
Expected life of warrants	1.73 years	-
Annualized volatility	94%	-
Dividend rate	0%	-

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (cont'd...)

Stock Options

The Company has a Rolling Stock Option Plan (the "Plan"), which follows the policies of the TSX Venture Exchange ("TSXV") regarding stock option awards granted to employees, directors and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan. Options granted under the Plan have a maximum term of 5 years. The vesting terms are at the Board of Directors' discretion.

As at December 31, 2010 and 2009, the following stock options were outstanding:

	December 31, 2010			December 31, 2009		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of the year	17,500	$	3.40	48,000	$	4.92
Granted	5,125,000		1.88	-		-
Exercised	(40,000)		1.50	-		-
Cancelled/Expired	(17,500)		3.40	(30,500)		5.78
Outstanding, end of the year	5,085,000	$	1.88	17,500		3.40
Exercisable, end of year	1,116,250	$	1.53	17,500		3.40

At December 31, 2010, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price ($)	Expiry Date
1,410,000	1,047,500	1.50	March 3, 2015
75,000	37,500	1.88	April 27, 2015
125,000	31,250	2.00	May 1, 2015
350,000	-	1.20	July 22, 2015
50,000	-	1.53	October 20, 2015
1,900,000	-	1.60	November 8, 2015
1,175,000	-	3.00	December 29, 2015
5,085,000	1,116,250		

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (cont'd...)

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. During the year ended December 31, 2010, the Company recognised stock-based compensation of $1,978,198 (December 31, 2009 - $Nil). The weighted average value of options granted in the period was $1.19 (December 31, 2009 - $Nil).

The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during the year ended December 31, 2010:

	December 31, 2010	December 31, 2009
Risk-free interest rate	1.40%	-
Expected life of options	5 years	-
Annualized volatility	94%	-
Dividend rate	0%	-

Escrow shares

At December 31, 2010, a total of 18,642,659 (December 31, 2009 – 313) shares were held in escrow. Subsequent to December 31, 2010, 9,321,251 shares were released from escrow; leaving 9,321,408 shares held in escrow.

7. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The following were significant non-cash transactions during the year ended December 31, 2010:

- In connection with the acquisition of Privco, (see Note 4) the Company issued 5,000,000 common shares valued at $9,000,000.

- In connection with the option exercise for the Kami project, 32,285,006 common shares were issued with a value of $79,421,115.

- Recognized fair market value of $53,359 and $19,272, respectively in respect of stock options and warrants exercised.

- $547,647 of mineral properties is included in accounts payable at December 31, 2010 (December 31, 2009 - $Nil).

- The Company issued 2,083,910 Finder's warrants in connection with its financings as described in Note 6, with a fair market value of $1,049,823, included in share issuance costs.

7. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (cont'd...)

The following were significant non-cash transactions during the year ended December 31, 2009.

- The Company issued 3,000,000 common shares to settle debt of $300,000 ($252,000 of accounts payable and $48,000 of loans).

8. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2010, the Company had the following transactions with related parties:

- The Company incurred consulting fees of $11,000 (2009 – $9,250) to a former director of the Company and to a company controlled by a former director. At December 31, 2010, $Nil (December 31, 2009 - $5,250) was still owing to this company.

- The Company incurred management and consulting fees of $906,670 (2009 – $55,000) to various officers/directors and to private companies controlled by officers/directors of the Company.

- The Company incurred administrative costs of $Nil (2009 - $74,800) to a company controlled by a former director, which are included in accounting and office expenses.

- The Company incurred costs of $1,227,044 (2009 - $Nil) to a private company controlled by an officer/director. These costs were allocated as follows: $592,375 was capitalized to resource properties as all the Kami Project field staff were employed directly by this private company, $336,815 was allocated to wages, $171,453 to office and administration, $91,269 to rent, $10,533 to investor relations, and $24,599 to consulting fees. At December 31, 2010, $131,097 (2009 - $Nil) was still owing to this company.

- During the year ended December 31, 2010, the Company paid $185,586 (2009 - $Nil) to a law firm of which a former director is a partner. Of this total amount, $161,713 was incurred during this period. The amounts incurred during the year were related to legal fees, share issue costs and fees associated with the acquisition of 0860132 BC Ltd. At December 31, 2010, $Nil (2009 - $23,873) was owing to this company, which was included in due to related parties.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (cont'd...)

- During the year ended December 31, 2010, the Company paid $99,010 (2009 - $Nil) to a company that is controlled by a former director. Of this total amount, $83,309 was incurred during this period. At December 31, 2010, $Nil (December 31, 2009 - $15,701) was owed.

- During the year ended December 31, 2010, the Company issued Nil (2009 - 2,600,000) common shares to settle debt of $Nil (2009 - $260,000) with a company controlled by a former director. In addition, the Company also issued Nil (2009 - 400,000) common shares to settle debt of $Nil (2009 - $40,000) with a law firm of which this former director is also a partner.

- During the year ended December 31, 2010, a company controlled by a former director forgave $Nil (2009 - $225,000) in debt owing from the Company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- The Company issued 5,000,000 common shares in consideration for 100% of the issued and outstanding common shares of Privco, a company controlled by a director and officer of the Company (Note 4).

The amounts due to related parties are non-interest bearing, with no fixed terms of repayment. The fair values of the amounts due to the related parties cannot be determined as there are no specific terms of repayment.

9. INCOME TAXES

The Company's provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates to the loss as a result of the following:

	2010	2009
Statutory rates	28.5%	30%
Income tax recovery expected	$ (1,303,575)	$ (261,154)
Non-deductible expenses	441,907	56,938
Tax expense (benefits) on renunciation of flow-through expenditures	(1,250,000)	56,149
Unrecognized (recognized) benefit of non-capital losses	(901,869)	204,216
Future income tax expense / (recovery)	$ (3,013,537)	$ 56,149

(Expressed in Canadian Dollars)

9. INCOME TAXES (cont'd...)

The tax effects of temporary timing differences that give rise to significant components of future tax assets and future tax liabilities are as follows:

	2010	2009
Future tax assets		
Non-capital losses carried forward	$ 1,054,975	$ 587,236
Equipment	9,984	-
Resource property and related exploration expenditures	(2,775,669)	1,574,649
Share issue costs	436,531	15,034
Total gross future income tax assets/(liabilities)	(1,274,179)	2,176,919
Less: Valuation allowance	-	(2,176,919)
Net future income tax assets (liabilities)	$(1,274,179)	$ -

During the year ended December 31, 2010, the Company issued 1,818,182 common shares on a flow-through basis for gross proceeds of $5,000,000. The flow-through agreement requires the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. Future income taxes of $1,250,000 on the exploration expenditures to be renounced to shareholders were applied against capital stock.

At December 31, 2010, the Company had non-capital losses of approximately $4,220,000 (2009 - $2,245,000). These losses, if not utilized, will expire in 2030. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses have been recognized in these financial statements and have been offset by valuation allowances due to the uncertainty of their realization.

10. CAPITAL MANAGEMENT

The Company is in the business of mineral exploration in Canada. Management determines the Company's capital structure and makes adjustments to it based on funds available to the Company, in order to support 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. In the management of capital, the Company includes cash and cash equivalents and components of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; and the Company does not generate any revenue, and accordingly the Company is dependent upon external financing to fund both its exploration programs and its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and to seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential provided it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Company is reasonable.

The Company is not subject to externally imposed capital requirements.

11. FINANCIAL RISK FACTORS

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and amounts due to related parties. The fair value of the Company's receivables, accounts payable and accrued liabilities, and amounts due to related parties approximate their carrying value, due to their short-term maturities or ability of prompt liquidation. The Company's other financial instruments, cash and cash equivalents, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

11. FINANCIAL RISK FACTORS (cont'd…)

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at a large Canadian financial institution in interest bearing accounts.

The Company's receivables consist mainly of GST/HST receivable due from the Government of Canada, and as such have no significant credit risk with respect to accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 10 to the consolidated financial statements. Accounts payable and accrued liabilities are due within the one year.

The Company has cash and cash equivalents balance of $24,376,060 to settle current liabilities of $1,027,185. Management believes that it has sufficient funds to meet its current liabilities as they become due.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices and foreign exchange rates. Since the Company does not currently possess investments in publicly traded securities, market risk is considered to be low.

(a) 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.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because these investments roll over frequently.

11. FINANCIAL RISK FACTORS (cont'd…)

(b) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(c) Currency risk

As at December 31, 2010, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As at December 31, 2010, the Company has accounts payable denominated in US dollars of US$154,715 and cash of US$750. A 10% change in the Canadian dollar versus the US dollar would give rise to a gain/loss of $15,397.

12. SEGMENT INFORMATION

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources. All of the Company's equipment and resource properties are located in Canada.

13. SUBSEQUENT EVENTS

The following transactions occurred subsequent to December 31, 2010:

- 403,500 warrants with an exercise price of $1.00 per warrant were exercised for gross proceeds of $403,500.
- 210,000 stock options with an exercise price of $1.50 per option and 25,000 stock options with an exercise price of $1.20 per option were exercised for gross proceeds of $138,750.
- 9,321,251 common shares were released from escrow.
- 300,000 stock options were issued with an exercise price of $3.40 per option and an expiry date of April 4, 2016, 1,900,000 stock options were issued with an exercise price of $3.70 per option and an expiry date of February 9, 2016 and 100,000 stock options with an exercise price of $3.80 per option were also issued with an expiry date of March 1, 2016.

Alderon Resource Corp.
Management's Discussion & Analysis
For the Year ended December 31, 2010

Date Prepared: April 18, 2011

GENERAL

Management's discussion & analysis ("MD&A") is intended to supplement and complement the financial statements of Alderon Resource Corp. (the "Company" or "Alderon"). The information provided herein should be read in conjunction with the Company's audited annual financial statements and notes for the year ended December 31, 2010.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. Financial statements and summary information derived therefrom are prepared in accordance with Canadian generally accepted accounting principles.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the 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. The Board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review the Company statutory filings on www.sedar.com and to review general information including reports and maps on the Company's website at www.alderonmining.com.

FORWARD LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future resource estimates, anticipated future expenses, the completion of a scoping study and the future exploration on and the development of the Kami Project are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters with certain other projects; the absence of dividends; competition; dilution; the volatility of our common share price and volume and the additional risks identified in the "Risk Factors" section of this MD&A or other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and Alderon undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. Investors are cautioned against attributing undue certainty to forward-looking statements.

DESCRIPTION OF BUSINESS AND OVERVIEW

The Company is a public exploration stage company whose common shares trade on the TSX Venture Exchange and OTCQX in the U.S., and is in the business of acquiring, exploring, and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed.

On September 1, 2004, the Company changed its name from Truax Ventures Corp. to Aries Resource Corp. and then again on September 24, 2008, the Company changed its name from Aries Resource Corp. to Alderon Resource Corp.

In the second quarter of 2009, the Company received a cease trade order from the British Columbia Securities Commission for failure to file its audited annual financial statements for the year ended December 31, 2008 by the appropriate deadline. This was the result of the financial hardship of the Company and this order was revoked on August 13, 2009 when the Company was brought up to date. Trading in the securities of the Company was reinstated effective at the opening of trading on August 14, 2009.

Also, at the request of the Company, trading in the Company shares was halted on November 30, 2009 following the execution of a letter of intent in respect of the acquisition of 0860132 B.C. Ltd. Immediately prior to November 30, 2009, the closing price of the shares on the last day the shares traded (November 27, 2009) was $0.055. Trading in the shares resumed on December 24, 2009.

The Company is currently focusing on exploration activities in the province of Newfoundland and Labrador, and Quebec, Canada on the Kamistiatusset ("Kami") Property.

ACQUISITION OF 0860132 BC LTD.

On March 3, 2010, the Company successfully completed the Share Exchange Agreement whereby the Company agreed to acquire all of the outstanding common shares of 0860132 BC Ltd. ("Privco"). In consideration, the Company issued 5,000,000 post-consolidated common shares to Privco's shareholders (Note 4 of the audited consolidated financial statements).

RESOURCE PROPERTIES

The Company entered into an agreement with Altius Resources Inc. ("Altius") pursuant to which the Company received the right to acquire a 100% interest in the Kami iron ore project in western Labrador. The project consists of 305 claims in Labrador and 5 Quebec Mining Titles for a total of 7,625 hectares.

In order to exercise the Option, the Company was required to fund exploration expenditures on the property of at least $1,000,000 in the first year, and cumulative expenditures in the first two years of at least $5,000,000. Upon incurring such expenditures the Company was entitled to exercise the Option and acquired a 100% interest in the Kami project by issuing an aggregate of 32,285,006 post-consolidated shares of the Company to Altius.

In 2010, the Company completed 25,749 metres of drilling and an airborne geophysical survey. The airborne survey covered the original Kami property as well as reconnaissance on the new claims to the east. Metallurgical test work also commenced. A National Instrument ("NI") 43-101 resource estimate was carried out by Watts, Griffis and McOuat Limited ("WGM") and published on April 5, 2011. The estimate includes an indicated iron ore resource of 490 million tonnes at 30% iron and an additional inferred resource of 118 million tonnes at 30.3% iron (refer to tables below for tonnage and grade details) based on a cut-off grade of 20%.

The mineral resource is contained within two zones, Rose Central and Mills Lake. The Rose Central zone has a currently defined strike length of 1,700 metres (m) and a true thickness of up to 320 m. Mills Lake is located 3.1 kilometres southeast of Rose Central and has a currently defined strike length of 1,500 m and a true thickness of up to 180 m. Both of these zones are open for expansion and will be followed up with further drilling this summer.

ROSE CENTRAL INDICATED RESOURCE

Cut-off %	Tonnes (million)	Total Iron %	Oxide Iron % *
25.0	355.4	30.2	27.2
22.5	372.2	29.9	26.9
20.0	**376.1**	**29.8**	26.9

ROSE CENTRAL INFERRED RESOURCE

Cut-off %	Tonnes (million)	Total Iron %	Oxide Iron % *
25.0	44.9	30.0	27.3
22.5	45.8	29.9	27.2
20.0	**46.0**	**29.8**	27.2

MILLS LAKE INDICATED RESOURCE

Cut-off %	Tonnes (million)	Total Iron %	Oxide Iron % *
25.0	111.6	30.7	28.0
22.5	113.7	30.6	27.8
20.0	**114.1**	**30.5**	27.8

MILLS LAKE INFERRED RESOURCE

Cut-off %	Tonnes (million)	Total Iron %	Oxide Iron % *
25.0	70.8	30.8	28.3
22.5	71.5	30.8	28.2
20.0	**71.9**	**30.7**	28.2

* Note: Oxide Iron is the combined iron in Magnetite and Hematite

On February 3, 2011, the Company commenced a $2.5 million program which will consist of approximately 5,000 metres of drilling and is expected to take 8 – 10 weeks to complete. The drill program is designed to outline an additional resource of 200 to 300 million tonnes at a grade between 28 and 32% iron ore at the North Rose Zone. The updated resource is expected in Q3 2011. The additional potential tonnage and grade discussed above are conceptual in nature, there has been insufficient exploration to define an increased mineral resource and it is uncertain if further exploration will delineate an increased mineral resource. These figures are reported as exploration targets based on the presence of step-out mineralized drill holes, known mineralized zones open along strike and geophsically anomalous areas from data received by the Company. Further information regarding the Company's initial resource estimate can be found in its news release dated April 5, 2011.

As of December 31, 2010, the Company spent had $7,091,549 on exploration expenditures on the Kami project.

The Company's exploration work on the Kami Project is supervised by Ed Lyons, P.Geo.a member of the Professional Engineers and Geoscientists of British Columbia, Newfoundland and Labrador and Quebec and a Qualified Person as defined in NI 43-101. Mr. Lyons has reviewed and is responsible for the technical information contained in this MD&A and has verified that the results presented above have been accurately summarized from the official assay certificates provided to the Company. Further information relating to the Kami Project can be found on SEDAR at www.sedar.com.

REVIEW OF FINANCIAL RESULTS

The following table summarizes the Company's financial operations. For more detailed information, please refer to the audited financial statements.

Description	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Total assets	$ 124,650,456	$ 1,516,093	$ 84,615
Resource properties	$ 98,797,975	$ -	$ -
Working capital surplus (deficiency)	$ 24,521,006	$ 1,289,408	$ (376,545)
Administrative expenses	$ 4,636,276	$ 468,600	$ 340,368
Property write-offs	$ -	$ -	$ 7,444,085
Other items	$ 62,329	$ (345,765)	$ (7,448,705)
Future income tax recovery (expense)	$ 3,013,537	$ (56,149)	$ 10,600
Net Loss	$ (1,560,410)	$ (870,514)	$ (7,778,473)
Loss per share	$ (0.04)	$ (0.20)	$ (1.43)

Results of Operations for the year ended December 31, 2010 compared to the year ended December 31, 2009:

For the year ended December 31, 2010, the Company reported a net loss of $1,560,410, or $0.04 per common share, compared with a net loss of $870,514, or $0.02 per common share, for the same period of 2009.

Expenses were all up significantly when compared to 2009 as a direct result of increased Company activities. In 2009 the Company was inactive and, therefore, not incurring many costs. The Company has since received funds from various financings and is now focused on building up its core team and focusing on the Company's objectives and projects.

Changes in significant expense accounts are described below:

Accounting and audit fees increased to $143,298 (2009 - $50,273). The majority of this increase was related to the filing statement prepared in conjunction with the acquisition of 0860132 BC Ltd. and costs related to the Company's transition work to IFRS for fiscal 2011.

Investor relations and travel expenses were up to $518,305 (2009 - $Nil) because of various trade conferences and promotional activities undertaken by the Company.

Transfer agent and filing fees also increased to $72,902 (2009 - $16,922) as a result of the increased activities of the Company when compared to the same period last year.

Office, rent and wages increased to $598,991 (2009 - $86,203). This was a direct result of increases in personnel, office space and general office activities such as printing, copying and supplies.

SUMMARY OF QUARTERLY RESULTS:

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	**Q4 2009**	Q3 2009	Q2 2009	Q1 2009
Loss before other items	**$(1,546,150)**	$(1,786,661)	$(996,163)	$(321,034)	**$(301,329)**	$(63,424)	$(48,639)	$(55,208)
Net income (loss) for the period	**$251,602**	$(1,745,027)	$(996,850)	$929,865	**$(707,618)**	$(52,909)	$(47,779)	$(93,358)
Basic income (loss) per share	**0.04**	(0.05)	(0.03)	0.04	**(0.08)**	(0.01)	(0.02)	(0.03)
Diluted income (loss) per share	**0.04**	(0.05)	(0.03)	0.03	**(0.08)**	(0.01)	(0.02)	(0.03)

FOURTH QUARTER

For the three months ended December 31, 2010, the Company reported net income of $251,602, or $0.01 per share, compared with a net loss of $707,618, or $0.08 per share, for the same period of 2009.

As was the case with the year ended December 31, 2010, the expenses for the three months when compared to those for the same period of 2009 are up significantly due to the overall increase in corporate activities.

The largest component of the income in the quarter is represented by a non-cash expense for stock-based compensation of $753,662 (2009 - $Nil). This amount makes up about half of the administrative expenses. Other expense items such as accounting and auditing (2010 – $31,000, 2009 – $11,000), consulting fees (2010 - $142,538, 2009 - $252,000), investor relations (2010 - $110,258, 2009 - $Nil), management fees (2010 - $50,001, 2009 - $10,000) and wages (2010 - $98,519, 2009 - $Nil) all increased from the same period of 2009. The items that offset the expenses above and in turn provided the Company with fourth quarter income, were future income tax recoveries (expenses) of $1,763,537 (2009 – ($56,149)) related to the flow through financing completed by the Company and interest income of $19,564 (2009 - $Nil) earned from the Company's cash held in highly liquid short-term interest bearing investments.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

As of December 31, 2010, the Company had cash and cash equivalents of $24,376,060 (December 31, 2009 - $1,504,920) and a working capital surplus of $24,521,006 (December 31, 2009 - $1,289,408). Cash used in operating activities during the year ended December 31, 2010 was $3,605,035 compared with $163,002 in the same period of 2009. Cash utilized in investing activities was $6,994,606 during the year ended December 31, 2010 compared to cash inflows of $13,320 from the sale of marketable securities, during the same period of 2009. Cash provided by financing activities was $33,470,781 in the year ended December 31, 2010, compared to $1,629,827 in the same period of 2009.

The Company has sufficient working capital to complete its currently planned 2011 drilling and exploration programs and a scoping study on the Kami property. It will need additional capital to advance the Kami property to the feasibility stage. Future capital will have to be obtained from debt or equity financings. See "Risk Factors".

SHARE CAPITAL

The Company's authorized capital consists of unlimited number of common shares without par value, and has securities outstanding as follows:

Security Description	December 31, 2010	Date of report
Common shares	81,589,189	82,090,189
Director, employee and contractor options – vested	1,116,250	1,137,500
Director, employee and contractor options – granted but not yet vested	3,968,750	5,750,000
Warrants to purchase shares	5,604,410	5,200,910
Fully diluted shares	**92,278,599**	**94,178,599**

During the year ended December 31, 2010, the following share transactions were completed:

- On March 3, 2010, the Company consolidated its common shares on the basis of one post-consolidated common share for every two pre-consolidated common shares. The 18,558,162 pre-consolidated common shares were reduced to 9,279,001 post-consolidated common shares. Stock options and warrants were similarly adjusted.

- On February 16, 2010, the Company closed a private placement for $10,000,000, through the issuance of 10,000,000 subscription receipts at a price of $1.00 per receipt. On March 3, 2010, the 10,000,000 subscription receipts issued converted into 10,000,000 common shares of the Company. A cash finder's fee of $445,500 and 445,500 finder's warrants valued at $127,466 were issued in connection with this private placement. Each finder's warrant entitles the holder to purchase one post-consolidated common share of the Company for $1.00, on or before February 16, 2011.

- On March 3, 2010, 10,000,000 subscription receipts issued in December 2009 at $0.15 per subscription receipt for total proceeds of $1,500,000 automatically converted into 10,000,000 common shares of the Company and the proceeds of the financing were released from escrow. In connection with this private placement, the Company issued 1,000,000 finder's warrants, valued at $7,407; each warrant entitled the holder to acquire one post-consolidated common share of the Company for $0.15, on or before December 22, 2010. These warrants were exercised during the year.

- On March 3, 2010, the Company issued 5,000,000 common shares in connection with the acquisition of 0860132 BC Ltd. (see "Acquisition of 0860132 BC Ltd.")

- On March 23, 2010, the Company closed a non-brokered private placement of 1,818,182 flow-through shares ("Flow-Through Shares") at a price of $2.75 per Flow-Through Share for gross proceeds of $5,000,000 (the "Flow-Through Private Placement"). Each Flow-Through Share qualifies as a "flow-through share" for the purposes of the *Income Tax Act* (Canada). In connection with the Flow-Through Private Placement, the Company paid a cash finder's fee of $250,000, equal to 5% of the gross proceeds received. The Company also issued 90,910 finder's warrants valued at $100,866. Each Finder's Warrant may be exercised for one common share of the Company at an exercise price of $2.75 per Finder's Warrant for a period of two years.

- 4,042,000 warrants with an exercise price ranging from $0.10 to $1.00 per warrant were exercised for gross proceeds of $492,000. An amount of $19,272, representing the fair value of these warrants on granting was reclassified from contributed surplus to share capital on exercise.

- 40,000 stock options with an exercise price of $1.50 were exercised for gross proceeds of $60,000. An amount of $53,359, representing the fair value of the options on granting was reclassified from contributed surplus to share capital on exercise.

- On December 6, 2010, 32,285,006 common shares of the Company, with a fair value of $79,421,115 were issued pursuant to the acquisition of 100% interest in Kami project (Note 5).

- On December 16, 2010, the Company completed a private placement of 9,125,000 units of the Company at a price of $2.20 per unit for gross proceeds of $20,075,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share at a price of $2.80 for a period of 24 months from the closing date. In connection with the private placement, the Company paid the underwriters a cash commission of $1,204,500, equal to 6% of the gross proceeds and issued 547,500 finder's warrants valued at $814,084, at an exercise price of $2.20 for a period of 24 months from the closing date. These finder's warrants include one-half of one common share purchase warrant exercisable at $2.80 per warrant for a period of 24 months from the closing date.

RELATED PARTY TRANSACTIONS

For the year ended December 31, 2010, the Company had the following transactions with related parties:

- The Company incurred consulting fees of $11,000 (2009 – $9,250) to a former director (Craig Goldenberger) of the Company and to a Company controlled by a former director (Jeff Durno). At December 31, 2010, $Nil (December 31, 2010 - $5,250) was still owing to this company.

- The Company incurred management and consulting fees of $906,670 (2009 – $55,000) to various officers/directors and to private companies controlled by officers/directors of the Company. (Mark Morabito, Stan Bharti, Matt Simpson, Brad Boland, Patrick Gleeson Jeff Pontius (former Director), Bruce Humphrey, Sonya Atwal, Sheila Paine and Simon Marcotte).

- The Company incurred administrative costs of $Nil (2009 - $74,800) to a company controlled by a former director, which are included in accounting and office expenses.

- The Company incurred costs of $1,227,043 (2009 - $Nil) to a private company controlled by an officer/director (Mark Morabito). These costs were allocated as follows: $592,375 was capitalized to resource properties as all the Kami Project field staff were employed directly by this private company, $336,815 was allocated to wages, $171,453 to office and administration, $91,269 to rent, $10,533 to investor relations, and $24,599 to consulting fees. At December 31, 2010, $131,097 (2009 - $Nil) was still owing to this company.

- During the year ended December 31, 2010, the Company paid $185,586 (2009 - $Nil) to a law firm of which a former director (Jeff Durno) is a partner. Of this total amount $161,713 was incurred during this period. The additional amounts incurred during the year were related to the following: legal fees, share issue costs and fees associated with the acquisition of 0860132 BC Ltd. At December 31, 2010, $Nil (2009 - $23,873) was owing to this company.

- During the year ended December 31, 2010, the Company paid $99,010 (2009 - $Nil) to a company that is controlled by a former director (Jeff Durno). Of this total amount $83,309 was incurred during this period. At December 31, 2010, $Nil (December 31, 2009 - $15,701) was owed.

- During the year ended December 31, 2009, the Company issued 2,600,000 common shares to settle debt of $260,000 with a company controlled by a former director (Jeff Durno). In addition, the Company also issued 400,000 common shares to settle debt of $40,000 with a law firm that this former director is also a partner of.

- During the year ended December 31, 2009, a company controlled by a former director (Jeff Durno) forgave $225,000 in debt owing from the Company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- The Company issued 5,000,000 common shares in consideration for 100% of the issued and outstanding common shares of Privco, a company controlled by a director and officer (Mark Morabito) of the Company (See "Acquisition of 0860132 BC Ltd.").

The amounts due to related parties are non-interest bearing, with no fixed terms of repayment. The fair values of the amounts due to the related parties cannot be determined as there are no specific terms of repayment.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements. The Company constantly evaluates these estimates and assumptions.

The Company bases its estimates and assumptions on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty, thus the amounts currently reported in the financial statements could prove to be inaccurate in the future.

OUTLOOK

The updated resource will be followed by a scoping study. Further drilling is also planned for the summer and fall of 2011 with the goal of upgrading the resource as well as targeting new areas outlined by geophysics.

ACCOUNTING POLICIES

Future Accounting Pronouncements

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

Comprehensive Revaluation of Assets and Liabilities (Section 1625) and Equity (Section 3251)

As a result of issuing CICA Handbook sections 1582, 1601, and 1602, CICA Handbook Section 1625 has been amended and is effective prospectively beginning on or after January 1, 2011. Section 3251, Equity, has been amended as a result of issuing Section 1602 and applies to entities that have adopted this section. The Company does not expect any material impact on its financial position, operating results or disclosure on the adoption of this new section.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Transition to IFRS from GAAP

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for financial periods beginning on and after January 1, 2011. The Company plans to adopt IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010.

IFRS Conversion

The Company's IFRS conversion plan addresses matters including changes in accounting policies, IT and data systems, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion is understood and managed reasonably, the Company retained an IFRS conversion project manager. The accounting staff has also attended several training courses on the adoption and implementation of IFRS. Through in-depth training and detailed analysis of IFRS standards, the Company's accounting personnel has obtained a thorough understanding of IFRS and possesses sufficient financial reporting expertise to support the Company's future needs. The Company has also reviewed its internal and disclosure control processes and believes they will not need significant modification as a result of the conversion to IFRS. Further, the Company has assessed the impact on IT and data systems and has concluded there will be no significant impact to applications arising from the transition to IFRS.

IFRS 1 First-Time Adoption of International Financial Reporting Standards

Under IFRS 1 'First-time Adoption of International Financial Reporting Standards', the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemptions are applied. IFRS provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters. Set forth below is the applicable IFRS 1 optional exemption applied in the conversion from Canadian GAAP to IFRS.

Share-based payments

The Company has modified its accounting for stock-based compensation in two significant respects to conform with the guidance in IFRS 2 *Share-Based Payments*.

Under Canadian GAAP, the fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

Under IFRS, a fair value measurement is required for each vesting installment within the option grant. Each installment must be valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each installment's individual tranche vesting period. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

The adoption of IFRS 2 *Share-Based Payments* will result in an increase of $296,633 in the amount of stock-based compensation recognized during the year ended December 31, 2010.

Income taxes

The treatment of the tax effect of flow-through shares differs under Canadian GAAP and IFRS.
Under Canadian GAAP, share capital is recorded at net proceeds less the deferred tax liability related to the renounced expenditures.

Under IFRS, the increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or "premium", are recorded as a deferred charge. When expenditures are renounced, a deferred tax liability is recognized and the deferred charge is reversed. The net amount is recognized as a future (or "deferred") income tax recovery. For the year ended December 31, 2010 this accounting policy change will result in an increase in share capital of $613,636 and a corresponding decrease in the amount of future income tax recovery.

Effective March 3, 2010, the Company acquired all of the outstanding common shares of 0860132 BC Ltd. ("Privco"). On acquisition of Privco, the Company recognized a future income tax liability $3,037,716 in accordance with Canadian GAAP. Under IAS 12 *Income Taxes*, the future tax liability would not be recognized, either on acquisition or subsequently. This accounting policy change will result in a write-off of the future income tax liability and a corresponding decrease in the carrying value of resource properties (known as "exploration and evaluation assets" under IFRS) as of the acquisition date.

Exploration and Evaluation Accounting

IFRS allows an entity to select an appropriate accounting policy for the treatment of resource properties (known as exploration and evaluation assets under IFRS). Under existing Canadian GAAP, Alderon followed the policy of capitalizing all mineral property expenditures directly attributable to the exploration or evaluation of each property, including an appropriate allocation of overheads related to the activity. On transition, Alderon will change the policy to expensing all mineral property expenditures directly attributable to the exploration or evaluation of each property under IFRS. The decision to change this policy was made to streamline the financial reporting process and simplify the presentation of financial information for investors. This change of policy will result in a decrease of $3,704,291 in the carrying value of resource properties and a corresponding increase in the accumulated deficit as of January 1, 2010.

Impairment of assets

Under Canadian GAAP, if there is an indication that an asset may be impaired, an impairment test must be performed. This is a two-step impairment test in which (1) undiscounted future cash flows are compared to the carrying value; and (2) if those undiscounted cash flows are less than the carrying value, the asset is written down to the fair value.

Under IFRS, an entity is required to assess, at the end of each reporting period, whether there is any indication that an asset may be impaired. If such an indication exists, the entity shall estimate the recoverable amount of the asset by performing a one-step impairment test, which requires a comparison of the carrying value of the asset to the higher of value in use and fair value less costs to sell. Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state.

Additionally, another difference exists as IAS 36, *Impairment of Assets* allows for the reversal of any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

The Company has concluded that the adoption of these standards will not result in a change to the carrying value of its assets on transition to IFRS.

RISK FACTORS

Exploration and Development

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that presently identified mineralization can be mined at a profit. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved.

The commercial viability of a mineral deposit is also dependent upon a number of factors, some of which are beyond the Company's control such as, commodity prices, exchange rates, government policies and regulation and environmental protection.

Financing

The Company does not currently have any operations generating cash to fund projected levels of exploration and development activity and associated overhead costs. The Company is therefore dependent upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available to the Company. In the future the Company will require additional funding to maintain its mineral properties in good standing. While the Company has been successful in raising funds in the past, there can be no assurance it can continue to do so in the future. The lack of additional financing could result in delay or indefinite postponement of further exploration and possible, partial, or total loss of the Company's interest in its mineral properties.

Commodity Price Volatility

The market prices for commodities, over which the Company has no control, are volatile. There is no assurance that if commercial quantities of these commodities are discovered, a profitable market will exist for a production decision to be made or for the ultimate sale of production at a profit. As the Company is currently not in production, no sensitivity analysis for price changes has been provided.

Resource Estimates

There is a degree of uncertainty attributable to the calculation of resource tonnages and grades. Resource estimates are dependent partially on statistical inferences drawn from drilling, sampling and other data. The measured and indicated and inferred resource figures set forth by the Company are estimates, and there is no certainty that these resources can be converted into reserves with profitable extraction. Declines in the market prices for metals may adversely affect the economics of converting a resource estimate into a reserve.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivables, accounts payables and accrued liabilities, and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity for prompt liquidation.

SUBSEQUENT EVENTS

The following transactions occurred subsequent to December 31, 2010:

- 403,500 warrants with an exercise price of $1.00 per warrant were exercised for gross proceeds of $403,500.

- 72,500 stock options with an exercise price of $1.50 per option and 25,000 stock options with an exercise price of $1.20 per option were exercised for gross proceeds of $138,750.

- 9,321,251 shares were released from escrow.

- 300,000 stock options were issued with an exercise price of $3.40 per option and an expiry date of April 4, 2016, 1,900,000 stock options were issued with an exercise price of $3.70 per option and an expiry date of February 9, 2016 and 100,000 stock options with an exercise price of $3.80 per option were also issued with an expiry date of March 1, 2016.

APPROVAL

The board of directors of Alderon Resource Corp. has approved the disclosures contained in this MD&A.