(A Development-Stage Company)

Condensed Interim Consolidated Financial Statements
For the three month period ended March 31, 2019
(in Canadian dollars)
(Unaudited)

Alderon Iron Ore Corp.

Condensed Interim Consolidated Statements of Financial Position

(in Canadian dollars)
(Unaudited)

	As of March 31, 2019	As of December 31, 2018
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (note 17)	4,509,813	6,033,848
Short-term investments (note 17)	1,014,765	1,001,249
Receivables (note 3)	20,383	25,151
Prepaid expenses	104,918	46,959
Total current assets	5,649,879	7,107,207
Non-current assets		
Mineral properties (note 4)	99,229,048	99,053,952
Property, plant and equipment (note 5)	16,292,732	16,164,434
Total non-current assets	115,521,780	115,218,386
Total assets	121,171,659	122,325,593
LIABILITIES		
Current liabilities		
Payables and accrued liabilities (note 6)	9,290,117	9,415,382
Due to related parties (note 10)	411,064	402,661
Loan facility (note 8)	17,572,796	17,594,412
Lease liability (note 9)	50,200	-
	27,324,177	27,412,455
Non-current liabilities		
Lease liability (note 9)	79,827	-
Total liabilities	27,404,004	27,412,455
EQUITY		
Share capital (note 12)	266,296,314	266,251,666
Other capital (notes 11, 13 and 14)	27,304,400	27,228,541
Deficit	(211,266,275)	(209,922,260)
Equity attributable to owners of the parent	82,334,439	83,557,947
Non-controlling interest	11,433,216	11,355,191
Total equity	93,767,655	94,913,138
Total liabilities and equity	121,171,659	122,325,593

Basis of preparation, nature of operations and going concern (note 1)
Commitments and contingencies (note 19)

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

Approved by the Board of Directors

"Adrian Loader"	*"David Porter"*
Adrian Loader	David Porter
Director	Director

Alderon Iron Ore Corp.

Condensed Interim Consolidated Statements of Changes in Equity
For the three month periods ended March 31, 2019 and 2018

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

	Attributable to owners of the parent					
	Common shares	Share capital	Other capital	Deficit	Non-controlling interest	Total
	(number)	$	$	$	$	$
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 (note 12)	833,333	241,666	-	-	-	241,666
Share-based compensation costs – stock options (note 13)	-	-	722,040	-	-	722,040
Share-based compensation costs – deferred share units (note 11)	-	-	20,562	-	-	20,562
Net loss and comprehensive loss	-	-	-	(1,786,638)	(625,066)	(2,411,704)
Total contributions by and distributions to owners	833,333	241,666	742,602	(1,786,638)	(625,066)	(1,427,436)
Balance – March 31, 2018	133,471,850	264,728,247	26,867,661	(206,646,614)	12,239,043	97,188,337

	Attributable to owners of the parent					
	Common shares	Share capital	Other capital	Deficit	Non-controlling interest	Total
	(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 12 and 13)	120,916	47,581	(47,581)	-	-	-
Share issue costs (note 12)	-	(2,933)	-	-	-	(2,933)
Share-based compensation costs – stock options (note 13)	-	-	18,021	-	-	18,021
Share-based compensation costs – deferred share units (note 11)	-	-	105,419	-	-	105,419
Net loss and comprehensive loss	-	-	-	(1,344,015)	78,025	(1,265,990)
Total contributions by and distributions to owners	120,916	44,648	75,859	(1,344,015)	78,025	(1,145,483)
Balance – March 31, 2019	138,403,796	266,296,314	27,304,400	(211,266,275)	11,433,216	93,767,655

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 month periods ended March 31, 2019 and 2018

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

	2019	2018
	$	$
Operating expenses (note 15)		
General and administrative expenses	659,871	1,299,700
Project maintenance expenses	196,388	185,532
Government and community relations expenses	38,288	74,573
Foreign exchange loss (gain)	(415,806)	136,792
	478,741	1,696,597
Loss from operations	(478,741)	(1,696,597)
Finance income	18,832	32,952
Finance costs (notes 7, 8 and 9)	(806,081)	(748,059)
Net finance costs	(787,249)	(715,107)
Net loss and comprehensive loss	(1,265,990)	(2,411,704)
Attributable to:		
Owners of the parent	(1,344,015)	(1,786,638)
Non-controlling interest	78,025	(625,066)
	(1,265,990)	(2,411,704)
Net loss per share		
Basic and diluted	(0.01)	(0.01)
Weighted average number of shares outstanding		
Basic and diluted	138,345,856	133,045,924

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 month periods ended March 31, 2019 and 2018

(in Canadian dollars)
(Unaudited)

	2019	2018
	$	$
Cash flows from operating activities		
Net loss	(1,265,990)	(2,411,704)
Adjustments for:		
Share-based compensation costs (notes 11 and 13)	123,440	742,602
Unrealized foreign exchange gain (note 8)	(358,548)	-
Revised fair value of common shares issued (note 12)	-	41,666
Depreciation (note 5)	13,549	84
Finance income	(18,832)	(32,952)
Finance costs (notes 7, 8 and 9)	806,081	748,059
Changes in operating assets and liabilities (note 16)	(180,022)	105,287
Interest received	28,801	41,569
Net cash used in operating activities	(851,521)	(765,389)
Cash flows from investing activities		
Additions to mineral properties (note 4)	(175,096)	(175,096)
Increase in short-term investments	(13,516)	(10,698)
Net cash used in investing activities	(188,612)	(185,794)
Cash flows from financing activities		
Interest paid on loan facility (note 8)	(465,969)	-
Interest paid on lease liability (note 9)	(3,180)	-
Principal paid on lease liability (note 9)	(11,820)	-
Share issue costs (note 12)	(2,933)	-
Net cash used in financing activities	(483,902)	-
Net change in cash and cash equivalents	(1,524,035)	(951,183)
Cash and cash equivalents at the beginning of the period	6,033,848	14,840,135
Cash and cash equivalents at the end of the period	4,509,813	13,888,952

Supplemental disclosure with respect to cash flow information (note 16)

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

1 Summary of business, reporting entity, basis of preparation, nature of operations and going concern

Summary of business

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.

Reporting entity

The accompanying condensed interim consolidated financial statements include the accounts of Alderon Iron Ore Corp., an entity incorporated under the laws of the Province of British Columbia, and its subsidiaries: 0964896 BC Ltd., an entity incorporated under the laws of the Province of British Columbia, and Kami General Partner Limited ("Kami GP"), an entity incorporated under the laws of the Province of Ontario. The condensed interim consolidated financial statements also include the accounts of an affiliate, The Kami Mine Limited Partnership ("The Kami LP"), an entity established under the laws of the Province of Ontario. Kami GP and The Kami LP are each owned 75%, directly or indirectly, by the Company. The Company transferred the Kami Property into The Kami LP during the year ended December 31, 2013.

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

Basis of preparation, nature of operations and going concern

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 preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company's condensed interim consolidated financial statements are discussed in note 2.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and effective as of March 31, 2019. These condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 9, 2019.

Nature of operations and 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.

1 Summary of business, reporting entity, basis of preparation, nature of operations and going concern (continued)

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 net amounts payable as at March 31, 2019, necessary general and administrative costs through the next twelve months, interest payments on outstanding debt and contractual obligations as at March 31, 2019 (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, if the Company is unable to meet the consolidated working capital covenant it will be in default of the terms of the Loan Facility and it is possible this could occur prior to the scheduled maturity date of December 31, 2019. 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 it continues to work to identify additional sources of financing to satisfy such obligations.

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 19).

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. 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.

1 Summary of business, reporting entity, basis of preparation, nature of operations and going concern (continued)

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

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.

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.

(amounts in Canadian dollars, except where noted)

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

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.

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 5 and 9).

	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)
	16,164,434	-	16,164,434

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.

(amounts in Canadian dollars, except where noted)

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

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	(6,300)
Lease obligations recognized as of January 1, 2019	141,847

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 Receivables

	As of March 31, 2019	As of December 31, 2018
	$	$
Sales and other tax credits receivable	19,378	13,113
Interest receivable	919	10,888
Other receivables	86	1,150
	20,383	25,151

(amounts in Canadian dollars, except where noted)

4 Mineral properties

On October 31, 2018, the Company filed on SEDAR a Technical Report entitled *Updated Feasibility Study of the Kamistiatusset (Kami) Iron Ore Property, Labrador for Alderon Iron Ore Corp.* (the "Updated FS"), dated effective September 26, 2018. The Updated FS is the current Technical Report for the Kami Project. Generally, 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 – March 31, 2019	88,668,710	86,737,490	495,423	1,694,823	48,986	(78,416,384)	99,229,048

During the three month period ended March 31, 2019, cash expenditures totaled $175,096 (2018 - $175,096).

(amounts in Canadian dollars, except where noted)

5 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 (note 6).

	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 – March 31, 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	(251)	(13,298)	-	(13,549)
Accumulated depreciation and impairment – March 31, 2019	(1,090)	(13,298)	(12,784,955)	(12,799,343)
Carrying value – December 31, 2018	2,180	-	16,162,254	16,164,434
Carrying value – March 31, 2019	1,929	128,549	16,162,254	16,292,732

During the three month period ended March 31, 2019, the Company recorded depreciation in the amount of $13,549 (2018 - $84) of which $13,298 (2018 - $nil) relates to the right of use asset and is included within project maintenance expenses and $251 (2018 - $84) relates to other equipment and is included within general and administrative expenses in the condensed interim consolidated statements of comprehensive loss.

6 Payables and accrued liabilities

	As of March 31, 2019	As of December 31, 2018
	$	$
Accrued payable on purchases of equipment (note 5)	5,241,085	5,348,579
Accrued development and project maintenance costs	3,450,334	3,450,067
Other accrued liabilities	373,148	373,148
Accrued legal and professional expenses	120,762	113,904
Trade accounts payable	101,120	126,238
Accrued salaries and benefits	3,668	3,446
	9,290,117	9,415,382

7 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 three month period ended March 31, 2018, the Company accrued interest in the amount of $474,048 and recorded accretion expense in the amount of $274,011. Interest and accretion expenses related to the Amended Note have been recorded as finance costs in the condensed interim consolidated statements of comprehensive loss.

8 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 7). 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.

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 10).

The Company recorded total transaction costs of $2,047,643 in connection with closing the Loan Facility, including professional fees incurred of $299,348 and equity instruments issued by the Company with fair values of $1,748,295. The Company issued 4,811,030 common shares with a fair value of $1,539,530 (note 12) and 900,000 compensation options with a fair value of $208,765 (note 14) to the lenders of the Loan Facility. The compensation options are exercisable for common shares of the Company, have an exercise price of $0.34, and expire on July 12, 2020. The issuance of equity instruments by the Company increased the non-controlling interest by $437,073 on the basis that the equity instruments were issued for the benefit of The Kami LP as the borrower of the Loan Facility.

Transaction costs were offset against the Loan Facility and the effective interest rate that was used to accrete the Loan Facility up to the principal amount at maturity was 18.8%.

(amounts in Canadian dollars, except where noted)

8 Loan facility (continued)

Changes in the balance of the Loan Facility for the three month period ended March 31, 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
Balance – December 31, 2018	17,594,412
Accretion	336,932
Cumulative foreign exchange translation	(358,548)
Balance – March 31, 2019	17,572,796

During the three month period ended March 31, 2019, the Company paid interest in the amount of $465,969, recorded accretion expense in the amount of $336,932 and recorded a cumulative foreign exchange gain on revaluation of the Loan Facility in the amount of $358,548. 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 it continues to work to identify additional sources of financing to satisfy such obligations (note 1).

(amounts in Canadian dollars, except where noted)

9 Lease liability

Changes in the balance of the lease liability for the three month period ended March 31, 2019 are summarized below.

	$
Balance – January 1, 2019 (note 2)	141,847
Interest expense	3,180
Lease payments	(15,000)
Balance – March 31, 2019	130,027
Current lease liability (less than 1 year)	50,200
Non-current lease liability (between 1 and 5 years)	79,827

During the three month period ended March 31, 2019, the Company paid interest and principal in amounts of $3,180 and $11,820, respectively, which have been recorded as finance costs and within project maintenance expenses, respectively, in the condensed interim consolidated statements of comprehensive loss.

During the three month period ended March 31, 2019, the Company subleased its commercial real estate right of use asset and recorded a recovery of costs in the amount of $3,000, which was recorded within project maintenance expenses in the condensed interim consolidated statements of comprehensive loss.

During the three month period ended March 31, 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 amount of $6,300. The lease expense was recorded within general and administrative expenses in the condensed interim consolidated statements of comprehensive loss.

As of March 31, 2019, the Company has short-term lease commitments in the amount of $13,104 which it will expense on a straight line basis under permitted exemptions applied in accordance with IFRS 16.

10 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.

(amounts in Canadian dollars, except where noted)

10 Related party disclosures (continued)

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

	Three month period ended March 31, 2019	Three month period ended March 31, 2018
	$	$
Short-term benefits*	340,444	256,127
Share-based and deferred share unit compensation (notes 11 and 13)	123,440	570,573
	463,884	826,700

* 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 8). 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 12).

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 related to the Amended Note (note 7). As of March 31, 2019, Liberty is no longer a shareholder of the Company.

(amounts in Canadian dollars, except where noted)

10 Related party disclosures (continued)

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

	Three month period ended March 31, 2019	Three month period ended March 31, 2018
	$	$
King & Bay	108,610	149,749
HBIS	80,004	80,004
	188,614	229,753

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

	As of March 31, 2019	As of December 31, 2018
	$	$
HBIS	256,680	256,680
Accrued short-term benefits	79,545	95,454
King & Bay	73,809	50,527
GN Consulting	1,030	-
	411,064	402,661

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

11 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.

(amounts in Canadian dollars, except where noted)

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

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

	Number
Balance – January 1, 2018	3,049,953
Granted	340,206
Balance – December 31, 2018	3,390,159
Granted	318,969
Balance – March 31, 2019	3,709,128

During the three month period ended March 31, 2019, the Company recorded compensation costs related to DSUs in the amount of $105,419 (2018 - $20,562), which were classified as share-based compensation costs within general and administrative expenses in the condensed interim consolidated statements of comprehensive loss (note 15).

12 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 March 31, 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 three month period ended March 31, 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 13). 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 13). The fair value of the stock options in the amount of $5,808 was credited to share capital.

During the three month period ended March 31, 2019, the Company incurred share issue costs in the amount of $2,933.

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 (note 16).

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 8). Sprott and Altius received 4,123,740 common shares and 687,290 common shares, respectively.

(amounts in Canadian dollars, except where noted)

13 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 12)	(275,000)	0.25
Balance – March 31, 2019	6,960,000	0.36

Options outstanding as of March 31, 2019 are summarized below.

Exercise price ($)	Expiry date	Remaining expected life (years)	Number of stock options outstanding	Number of stock options exercisable
1.48	May 29, 2019	0.16	600,000	600,000
0.15	September 7, 2021	2.44	2,480,000	2,480,000
0.53	January 23, 2022	2.82	180,000	180,000
0.43	March 30, 2022	2.99	100,000	100,000
0.34	April 27, 2022	3.07	350,000	350,000
0.35	June 7, 2022	3.19	150,000	150,000
0.31	January 23, 2023	3.82	2,500,000	2,500,000
0.26	April 2, 2023	4.01	300,000	75,000
0.33	June 21, 2023	4.22	300,000	75,000
			6,960,000	6,510,000

During the three month period ended March 31, 2019, the Company recorded share-based compensation with respect to stock options in the amount of $18,021 (2018 - $722,040), which was recorded within general and administrative expenses in the condensed interim consolidated statements of comprehensive loss.

The Company settles stock options exercised through the issuance of common shares from treasury.

(amounts in Canadian dollars, except where noted)

13 Stock options (continued)

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.

	Three month period ended March 31, 2019	Three month period ended March 31, 2018
Expected dividend yield	-	0.00%
Estimated volatility	-	99.97%
Weighted average risk-free annual interest rate	-	2.02%
Weighted average expected life (years)	-	5.00
Grant date fair value	-	$0.23

14 Compensation options

The following table summarizes the Company's compensation options activity.

	Number	Weighted average exercise price $
Balance – January 1, 2018	-	-
Granted (note 8)	900,000	0.34
Balance – December 31, 2018 and March 31, 2019	900,000	0.34

Compensation options outstanding as of March 31, 2019 are summarized below.

Exercise price ($)	Expiry date	Remaining expected life (years)	Number of compensation options outstanding	Number of compensation options exercisable
0.34	July 12, 2020	1.28	900,000	900,000

The Company settles compensation options exercised through the issuance of common shares from treasury.

(amounts in Canadian dollars, except where noted)

15 Operating expenses

General and administrative expenses for the three month periods ended March 31, 2019 and 2018 are summarized below.

	Three month period ended March 31, 2019	Three month period ended March 31, 2018
	$	$
Consulting, professional and legal fees	182,371	281,249
Salaries and benefits	180,208	62,466
Share-based compensation (notes 11 and 13)	123,440	742,602
Rent and facilities	43,518	41,617
Investor relations	40,589	83,809
Office and administration	34,802	35,507
Director fees	26,906	21,544
Regulatory	16,369	16,179
Travel	11,417	14,643
Depreciation (note 5)	251	84
	659,871	1,299,700

Project maintenance expenses for the three month periods ended March 31, 2019 and 2018 are summarized below.

	Three month period ended March 31, 2019	Three month period ended March 31, 2018
	$	$
Rent and facilities	93,453	98,987
Professional services and consulting	88,101	84,228
Depreciation (note 5)	13,298	-
Other costs	1,536	2,317
	196,388	185,532

(amounts in Canadian dollars, except where noted)

16 Supplemental disclosure of cash flow information

	Three month period ended March 31, 2019	Three month period ended March 31, 2018
	$	$
Changes in operating assets and liabilities		
Receivables	(5,201)	(808)
Prepaid expenses	(57,959)	(60,577)
Payables and accrued liabilities	(125,265)	114,653
Due to related parties	8,403	52,019
	(180,022)	105,287

Non-cash transactions affecting cash flows from investing or financing activities during the three month period ended March 31, 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, 5 and 9).

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 12 and 13).

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 12 and 13).

Non-cash transactions affecting cash flows from investing or financing activities during the three month period ended March 31, 2018 are summarized below:

The Company issued 833,333 common shares to an executive as a part of his compensation package (note 12). 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.

17 Capital disclosures

The Company's capital structure currently consists of equity and debt financing to ensure sufficient liquidity to fund: 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.

17 Capital disclosures (continued)

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, Alderon agreed that the proceeds from the Initial Investment were to be used solely for Kami Project related expenditures.

As at March 31, 2019, $3,677,005 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 8), 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 future (note 1).

18 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 March 31, 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 March 31, 2019 and December 31, 2018 are presented below. In the following tables, receivables exclude sales and other tax credits.

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

18 Financial instruments (continued)

As of March 31, 2019	Carrying value	Fair value
	$	$
Financial assets		
Cash and cash equivalents	4,509,813	4,509,813
Short-term investments	1,014,765	1,014,765
Receivables (note 3)	1,005	1,005
Financial liabilities		
Payables and accrued liabilities (note 6)	(9,290,117)	(9,290,117)
Due to related parties (note 10)	(411,064)	(411,064)
Loan facility (note 8)	(17,572,796)	(18,791,234)
Lease liability (note 9)	(130,027)	(130,027)
	(21,878,421)	(23,096,859)

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 (note 3)	12,038	12,038
Financial liabilities		
Payables and accrued liabilities (note 6)	(9,415,382)	(9,415,382)
Due to related parties (note 10)	(402,661)	(402,661)
Loan facility (note 8)	(17,594,412)	(19,201,828)
	(20,365,320)	(21,972,736)

19 Commitments and contingencies

The Company has negotiated contracts with suppliers in relation to the purchase of equipment. As at March 31, 2019, payments of $30,613,000 remain to be paid on the equipment for contracts entered into and approximately $30,429,000 of this amount is contingent on confirmation by the Company of future fabrication of this equipment.

19 Commitments and contingencies (continued)

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 2012 subscription transaction and the Initial Investment into the Kami Project, 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 4,000,000 tonnes of the first 8,000,000 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.

On January 21, 2014, the Company entered into an agreement (the “Agreement”) with the Town of Labrador City (“Labrador City”) with respect to the development of the Kami Project (as amended on October 21, 2016). Under the terms of the Agreement, the Company will pay to Labrador City an annual grant based on the Kami Project mining operations that will be located in the Municipal Planning Area of Labrador City. The Company will not be required to pay municipal or other taxes except with respect to such assets and business of the Company, as may be located from time to time within the town boundaries of Labrador City.

On January 21, 2014, the Company and the Innu Nation entered into an Impact and Benefits Agreement ("IBA") with respect to carrying out the Kami Project. The IBA provides for participation in the Kami Project on the part of the Innu Nation in the form of training, jobs and contract opportunities, along with providing their community with financial and socio-economic benefits over the life of the mine. The IBA also contains provisions which recognize and support the culture, traditions and values of the Innu Nation.

On March 25, 2014, the Company signed a Grant-in-lieu of Municipal Taxes Agreement (the “Wabush Agreement”) with the Town of Wabush (“Wabush”) with respect to the development of the Kami Project. Under the terms of the Wabush Agreement, the Company will pay to Wabush an annual grant-in-lieu of municipal taxes on the Kami Project mining operations. Payments under the Wabush Agreement will commence after initial production occurs at the Kami Project. As long as the Company makes the payments required under the Wabush Agreement, Wabush will not seek to charge or assess the Company for any municipal taxes in relation to the Kami Project or the business carried on by the Company on the Kami Project.

On May 27, 2014, Alderon signed a benefits agreement with the Province of Newfoundland and Labrador (the “Provincial Agreement”). The Provincial Agreement covers the life of the Kami Project and sets out employment, procurement and training benefits. Under the terms of the Provincial Agreement, Alderon has committed to provide full and fair opportunity and first consideration for provincial residents and suppliers. The Company has also agreed to establish an education and training fund commencing after the Kami Project achieves commercial production.

On June 30, 2014, the Company announced the completion of the required engineering work in order to commence construction at the Kami Project. The commencement of construction remains subject to the completion of the Company’s financing plan and project sanction by the Board of Directors of Alderon. As such, Alderon has temporarily suspended any further work by the EPCM contractor. It is likely that the temporary suspension of the EPCM contractor will result in certain demobilization costs to be incurred and charged to the Company in accordance with the terms of the EPCM contract. The actual amount to be incurred is a function of the duration of delay, actual costs incurred and commitments entered into by the EPCM contractor, and adjustments to the estimate will be recorded in future periods as necessary.

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

19 Commitments and contingencies (continued)

On July 29, 2014, the Company 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 3,200,000 tonnes of the first 8,000,000 tonnes of iron ore concentrate produced annually at the Kami Project. The term of the Glencore Agreement will continue until the Company has delivered 48,000,000 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.