



CONDENSED INTERIM FINANCIAL STATEMENTS

**For the three month period ended March 31, 2016
and the three month period ended March 31, 2015**

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**Notice of No Auditor Review of Condensed Interim Financial Statements
For the three months ended March 31, 2016 and March 31, 2015**

The accompanying unaudited condensed interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management and have been approved by the Audit Committee and Board of Directors of the Corporation.

The Corporation's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

"Scott MacDougall"

Scott MacDougall
Chief Executive Officer

"Williams Woods"

Williams Woods
Chief Financial Officer

May 10, 2016
Edmonton, Alberta

ATHABASCA MINERALS INC.
Condensed Interim Balance Sheets
(unaudited)

	As at March 31, 2016	As at December 31, 2015
Current Assets		
Cash	\$ 2,925,800	\$ 2,644,430
Accounts receivable	2,426,321	5,006,412
Income taxes recoverable	934,982	934,982
Inventory (Note 4)	2,865,000	2,952,483
Prepaid expenses and deposits	739,421	546,020
	<u>9,891,524</u>	<u>12,084,327</u>
Long-term deposits	842,443	842,443
Restricted cash	345,290	344,923
Property and equipment (Note 5)	8,505,611	8,782,071
Resource properties (Note 6)	5,997,382	5,900,057
Intangible assets (Note 7)	1,420,370	1,637,037
Total Assets	<u>\$ 27,002,620</u>	<u>\$ 29,590,858</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 837,141	\$ 2,088,532
Current portion of environmental rehabilitation obligations	9,832	14,908
Capital term loan (Note 8)	248,281	495,703
Current portion of lease obligations (Note 9)	1,548,053	1,532,121
	<u>2,643,307</u>	<u>4,131,264</u>
Lease obligations (Note 9)	1,283,419	1,676,458
Deferred gain on sale and leaseback	9,033	10,958
Environmental rehabilitation obligations	1,375,978	1,366,183
Deferred tax liability (Note 10)	1,833,258	1,961,435
	<u>7,144,995</u>	<u>9,146,298</u>
Contingency (Note 19)		
Equity		
Share capital (Note 11)	13,246,758	13,246,758
Contributed surplus	4,527,153	4,479,938
Retained earnings	2,083,714	2,717,864
	<u>19,857,625</u>	<u>20,444,560</u>
Total Liabilities and Equity	<u>\$ 27,002,620</u>	<u>\$ 29,590,858</u>

Approved by the Board of Directors

" Don Paulencu "
Director

" Michael Peck "
Director

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

ATHABASCA MINERALS INC.
Condensed Interim Statements of Net Loss and Comprehensive Loss
(unaudited)

	Three months ended March 31, 2016	Three months ended March 31, 2015
Aggregate Sales Revenue	\$ 1,102,773	\$ 309,077
Aggregate Management Services - Revenues	698,165	1,283,135
Less: Provincial Government Royalties	(319,963)	(329,409)
Aggregate Management Fees - Net (Note 7)	378,202	953,726
Revenue	1,480,975	1,262,803
Operating Costs	649,562	1,096,405
Amortization and Depreciation	307,367	287,210
Royalties and Trucking	308,924	207,565
Cost of Sales	1,265,853	1,591,180
Gross Profit (Loss)	215,122	(328,377)
General and Administrative	645,863	862,552
Share-based Compensation	47,215	285,897
Amortization of Intangible Assets	216,667	216,667
	909,745	1,365,116
Operating Loss	(694,623)	(1,693,493)
Finance Costs (Note 17)	36,120	56,658
Exploration	67,292	-
Other (Income) Expenses (Note 17)	(31,679)	12,950
Interest Income	(4,029)	(3,163)
	67,704	66,445
Loss Before Income Taxes (Note 10)	(762,327)	(1,759,938)
Current Tax (Recovery)	-	(453,617)
Deferred Tax (Recovery) Expense	(128,177)	96,997
	(128,177)	(356,620)
Net Loss and Comprehensive Loss	\$ (634,150)	\$ (1,403,318)
Net Loss per Common Share - Basic	\$ (0.019)	\$ (0.042)
Net Loss per Common Share - Diluted	\$ (0.019)	\$ (0.042)
Weighted Average # of Shares Outstanding	33,303,650	33,303,650

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

ATHABASCA MINERALS INC.
Condensed Interim Statements of Changes in Equity
(Unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance as at December 31, 2014	33,303,650	\$13,246,758	\$ 3,811,373	\$10,031,674	\$27,089,805
Share-based compensation	-	-	285,897	-	285,897
Net loss for the period	-	-	-	(1,403,018)	(1,403,018)
Balance as at March 31, 2015	33,303,650	\$13,246,758	\$ 4,097,270	\$ 8,628,656	25,972,684
Share-based compensation	-	-	382,668	-	382,668
Net loss for the period	-	-	-	(5,910,792)	(5,910,792)
Balance as at December 31, 2015	33,303,650	\$13,246,758	\$ 4,479,938	\$ 2,717,864	20,444,560
Share-based compensation	-	-	47,215	-	47,215
Net loss for the period	-	-	-	(634,150)	(634,150)
Balance as at March 31, 2016	33,303,650	\$13,246,758	\$ 4,527,153	\$ 2,083,714	\$19,857,625

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

ATHABASCA MINERALS INC.
Condensed Interim Statements of Cash Flows
(unaudited)

	Three months ended March 31, 2016	Three months ended March 31, 2015
OPERATING ACTIVITIES		
Net loss and comprehensive loss	\$ (634,150)	\$ (1,403,018)
Repayment of environmental rehabilitaton obligations	(5,076)	-
Adjustments for non-cash items:		
Depreciation, amortization, depletion and accretion	539,155	508,310
Income tax recovery	(128,177)	(356,920)
Share-based compensation expense	47,215	285,897
Gain on land use agreement	-	(2,302)
Amortization of deferred gain on sale and leaseback	(1,925)	(1,926)
Amortization of deferred financing costs	2,578	2,578
Gain on disposal of property and equipment	(5,635)	-
Write-off of intangible assets	3,752	5,773
Net income adjusted for non-cash items	<u>(182,263)</u>	<u>(961,608)</u>
Net changes in non-cash working capital balances		
Accounts receivable	2,580,091	4,141,228
Inventory	87,483	59,703
Prepaid expenses and deposits	(193,401)	46,092
Accounts payable and accrued liabilities	<u>(1,251,391)</u>	<u>(2,371,827)</u>
	<u>1,040,519</u>	<u>913,588</u>
INVESTING ACTIVITIES		
Long-term deposits	-	(3,436)
Restricted cash	(367)	(684)
Additions of intangible assets	(3,752)	-
Proceeds from land use agreement	-	138,622
Proceeds from disposal of property and equipment	7,000	-
Purchase of property and equipment (Note 5)	(35,734)	(2,427)
Spending on resource properties (Note 6)	<u>(99,189)</u>	<u>(139,179)</u>
	<u>(132,042)</u>	<u>(7,104)</u>
FINANCING ACTIVITIES		
Repayment of capital loan term debt (Note 8)	(250,000)	(250,000)
Repayment of lease obligations (Note 9)	<u>(377,107)</u>	<u>(336,814)</u>
	<u>(627,107)</u>	<u>(586,814)</u>
Net increase in cash	281,370	319,670
Cash, beginning of period	2,644,430	828,672
Cash, end of period	<u>\$ 2,925,800</u>	<u>\$ 1,148,342</u>

Supplemental cash flow information (Note 16)

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

Note 1 – Nature of Business

Athabasca Minerals Inc. (the “Corporation” or “Athabasca”) is incorporated under the *Business Corporations Act (Alberta)*. The Corporation’s head office is located at 1319 91st Street, Edmonton, Alberta, Canada T6X 1H1.

The Corporation manages the Susan Lake aggregate (sand and gravel) pit on behalf of the Province of Alberta for which management fees are earned. A significant portion of the Corporation’s total revenue is derived from this contract.

In addition to this management contract, the Corporation owns gravel pits producing aggregate for a variety of purposes and explores for and develops land for the purposes of establishing additional Corporation owned gravel pits. The Corporation also acquires, explores and develops mineral claims located in the Fort McMurray area for the purpose of extracting silica sand and other minerals.

The Corporation is listed on the TSX Venture Exchange (“TSX Venture”) under the stock symbol: ABM.

Note 2 – Basis of Presentation and Statement of Compliance

These condensed interim financial statements of the Corporation for the three months ended March 31, 2016 include comparative results for the three months ended March 31, 2015. These financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – “Interim Financial Reporting” (“IAS 34”). Accordingly, certain information and footnote disclosures normally included in the annual financial statements have been omitted or condensed. Accordingly, these condensed interim financial statements should be read in conjunction with the unaudited financial statements and notes thereto, as at and for the year ended December 31, 2015.

The accounting policies set out below have been applied to all periods presented in these financial statements. The financial statements are presented in Canadian dollars which is the functional currency of the Corporation.

These financial statements were authorized for issue by the Board of Directors on May 10, 2016.

Note 3 – Significant management judgements, estimates and changes in accounting policies

The Corporation’s management makes judgements in its process of applying the Corporation’s accounting policies to the preparation of its condensed interim financial statements. In addition, the preparation of financial data requires that the Corporation’s management make assumptions and estimates of the impacts on the carrying amounts of the Corporation’s assets and liabilities at the end of the reporting period from uncertain future events and on the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Corporation’s assets and liabilities are accounted for prospectively.

The critical judgements and estimates applied in the preparation of the Corporation’s unaudited condensed consolidated interim financial statements for the three months ended March 31, 2016 are consistent with those applied and disclosed in note 3 to the Corporation’s audited financial statements for the year ended December 31, 2015.

The condensed interim financial statements have been prepared in accordance with the accounting policies adopted in the Corporation’s most recent annual financial statements for the year ended December 31, 2015.

Note 4 – Inventory

Inventory consists of the following:

	<u>March 31, 2015</u>	<u>December 31, 2015</u>
Stockpiled crushed gravel	<u>\$ 2,865,000</u>	<u>\$ 2,952,483</u>

During the three months ended March 31, 2016, inventory with a production cost of \$230,993 (three months ended March 31, 2015 - \$59,697) was sold and forms part of operating costs.

Note 5– Property and Equipment

Cost at:	Stockpile pad	Crushing equipment	Equipment	On-site buildings and fences	Office complex	Scales and scale houses	Total
December 31, 2014	\$ -	\$ 3,678,249	\$ 7,336,887	\$ 1,062,751	\$ 173,867	\$ 832,214	\$ 13,083,968
Additions	262,104	-	1,438,508	135,950	-	16,751	1,853,313
Disposals	-	-	(1,014,581)	-	-	-	(1,014,581)
December 31, 2015	262,104	3,678,249	7,760,814	1,198,701	173,867	848,965	13,922,700
Additions	-	-	35,734	-	-	-	35,734
Disposals	-	-	(46,613)	-	-	-	(46,613)
March 31, 2016	\$ 262,104	\$ 3,678,249	\$ 7,749,935	\$ 1,198,701	\$ 173,867	\$ 848,965	\$ 13,911,821

Accumulated Depreciation at:

December 31, 2014	\$ -	\$ 682,465	\$ 3,077,046	\$ 215,530	\$ 48,114	\$ 279,842	\$ 4,302,997
Additions	21,688	94,320	1,056,884	106,199	11,591	83,221	1,373,903
Write-offs	-	-	(536,271)	-	-	-	(536,271)
December 31, 2015	21,688	776,785	3,597,659	321,729	59,705	363,063	5,140,629
Additions	13,105	14,810	232,654	26,557	2,898	20,805	310,829
Disposals	-	-	(45,248)	-	-	-	(45,248)
March 31, 2016	\$ 34,793	\$ 791,595	\$ 3,785,065	\$ 348,286	\$ 62,603	\$ 383,868	\$ 5,406,210

Net book value at:

March 31, 2016	\$ 227,311	\$ 2,886,654	\$ 3,964,870	\$ 850,415	\$ 111,264	\$ 465,097	\$ 8,505,611
December 31, 2015	\$ 240,416	\$ 2,901,464	\$ 4,163,155	\$ 876,972	\$ 114,162	\$ 485,902	\$ 8,782,071

Net book value of leased assets included above:

March 31, 2016	\$ -	\$ 2,886,654	\$ 2,194,934	\$ 202,711	\$ -	\$ 43,740	\$ 5,328,039
December 31, 2015	\$ -	\$ 2,901,463	\$ 2,312,803	\$ 210,626	\$ -	\$ 45,493	\$ 5,470,385

Note 6 – Resource Properties

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Exploration costs	\$ 3,180,156	\$ 3,121,686
Pit development costs	1,850,010	1,778,666
Environmental rehabilitation obligation assets	607,371	606,455
Other lease costs	202,745	205,525
Land	157,100	157,100
Mineral permits	-	30,625
	<u>\$ 5,997,382</u>	<u>\$ 5,900,057</u>

Exploration and Pit Development costs

The exploration and pit development costs were incurred across various Athabasca operations and development projects, which are located primarily in the Fort McMurray area of Northern Alberta.

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Exploration costs:		
Firebag project	\$ 1,106,525	\$ 1,102,699
Richardson project	1,053,924	1,048,911
Obed project	81,417	80,240
Birch Mountain project	470,147	465,101
Other properties	468,143	424,735
	<u>\$ 3,180,156</u>	<u>\$ 3,121,686</u>
Pit development costs:		
Kearl pit	\$ 1,083,898	\$ 1,083,898
Logan pit	533,353	533,353
House River pit	161,415	161,415
Pelican	71,344	-
	<u>\$ 1,850,010</u>	<u>\$ 1,778,666</u>

Exploration Costs

	Firebag Project	Richardson Project	Obed	Birch Mountain	Pelican Hill Pit	Hinton Project	Boyle Project	Dover Project	All Other Projects	Total
Balance at December 31, 2014	\$ 944,340	\$ 1,036,203	\$ -	\$ 459,415	\$ 105,493	\$ 56,387	\$ 117,488	\$ 1,009,830	\$ 687,271	\$ 4,416,427
Twelve months ended December 31, 2015 activity:										
Spending	105,263	11,758	486,223	4,731	30,251	3,261	6,753	11,174	188,432	847,846
Reclassification	53,096	950	-	955	21,838	-	-	-	(76,839)	-
Abandoned projects	-	-	(405,983)	-	-	-	(124,241)	(1,021,004)	(591,359)	(2,142,587)
Total spending in current period	158,359	12,708	80,240	5,686	52,089	3,261	(117,488)	(1,009,830)	(479,766)	(1,294,741)
Cumulative Exploration Costs- December 31, 2015	<u>\$ 1,102,699</u>	<u>\$ 1,048,911</u>	<u>\$ 80,240</u>	<u>\$ 465,101</u>	<u>\$ 157,582</u>	<u>\$ 59,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,505</u>	<u>\$ 3,121,686</u>
Three months ended March 31, 2016 activity:										
Spending	3,826	5,013	1,177	5,046	-	-	-	-	43,408	\$ 58,470
Cumulative Exploration Costs - March 31, 2016	<u>\$ 1,106,525</u>	<u>\$ 1,053,924</u>	<u>\$ 81,417</u>	<u>\$ 470,147</u>	<u>\$ 157,582</u>	<u>\$ 59,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,913</u>	<u>\$ 3,180,156</u>

Note 6 – Resource Properties (continued)

During the three months ended March 31, 2016, the Corporation spent \$58,470 on exploration resource properties various projects compared to \$139,179 for the three months ended March 31, 2015.

Pit development costs

Pit development costs

	House					Total
	Kearl Pit	Logan Pit	River Pit	KM248 Pit	Pelican	
Balance at December 31, 2014	\$1,085,568	\$ 535,065	\$162,019	\$ 67,211	\$ -	\$1,849,863
Twelve months ended December 31, 2015 activity:						
Total pit development costs prior to depletion	1,085,568	535,065	162,019	67,211	-	1,849,863
Current period depletion	(1,670)	(1,712)	(604)	(67,211)	-	(71,197)
Cumulative Pit Development Costs- December 31, 2015	1,083,898	533,353	161,415	-	-	1,778,666
Three months ended March 31, 2016 activity:						
Clearing and stripping	-	-	-	-	71,344	71,344
Total pit development costs prior to depletion	1,083,898	533,353	161,415	-	71,344	1,850,010
Current period depletion	-	-	-	-	-	-
Cumulative Pit Development Costs net of depletion - March 31, 2016	\$ 1,083,898	\$ 533,353	\$ 161,415	\$ -	\$ 71,344	\$ 1,850,010

Note 7 – Intangible Assets

Cost at:	Susan Lake Management Contract		Poplar Creek Environmental Rehabilitation Obligation Asset		Total
December 31, 2014	\$ 7,800,000	\$	294,933	\$	8,094,933
Additions	-		43,464		43,464
December 31, 2015	7,800,000		338,397		8,138,397
Additions	-		3,752		3,752
March 31, 2016	\$ 7,800,000	\$	342,149	\$	8,142,149
Accumulated Amortization at:					
December 30, 2014	\$ 5,296,296	\$	294,933	\$	5,591,229
Amortization for the period	866,667		-		866,667
Additions	-		43,464		43,464
December 31, 2015	6,162,963		338,397		6,501,360
Amortization for the year	216,667		-		216,667
Additions	-		3,752		3,752
March 31, 2016	\$ 6,379,630	\$	342,149	\$	6,721,779
Net book value at:					
March 31, 2016	\$ 1,420,370	\$	-	\$	1,420,370
December 31, 2015	\$ 1,637,037	\$	-	\$	1,637,037

Intangible assets consist of two management contracts with the Province of Alberta relating to the management of aggregate pits at Poplar Creek, Alberta and Susan Lake, Alberta.

Note 7 – Intangible Assets (continued)

The Susan Lake management contract is amortized on a straight-line basis over the life of the contract, with an expiry date of November 30, 2017. As at March 31, 2016 the remaining term of the contract is 20 months. No intangible asset has been established for potential environmental rehabilitation obligations for the disturbed areas of the site covered under the Susan Lake management agreement as it is expected that a third party(ies) will assume the reclamation obligations when they mine the area for oil deposits once the gravel deposits have been depleted.

The Poplar Creek pit has been depleted and accordingly its management contract and decommissioning and restoration costs carrying values were written off as at November 30, 2011.

During the three months ended March 31, 2016, the estimate for future decommissioning and restoration costs for the Poplar Creek pit increased by \$3,752 (three months ended March 31, 2015 – increased by \$3,471).

The terms of the contracts give the Province of Alberta the right to terminate the contracts without cause upon three months written notice. The contracts provide that the Province of Alberta may at any time during the term of the agreement require the Corporation to operate the tender location in cooperation with oil sand lease development. The Province of Alberta also has the right to withdraw any portion of the lands from the contracts and those lands withdrawn shall cease to be the responsibility of the Corporation with respect to any environmental rehabilitation obligations.

Note 8 – Capital Term Loan

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Capital term loan, repayable in monthly instalments of \$83,333 plus interest at the bank's prime lending rate plus 1.75%, due June 8, 2016	\$ 250,000	\$ 500,000
Deferred financing costs, amortized over life of debt agreement	<u>(1,719)</u>	<u>(4,297)</u>
	<u>\$ 248,281</u>	<u>\$ 495,703</u>

The Corporation has a credit facility with HSBC, which includes an operating loan, a demand capital term loan and five leasing equipment facilities, and a credit card facility.

The Corporation has access to a \$3,000,000 demand operating loan with a sub-limit of \$2,000,000 available for letters of commercial credit. The operating loan bears interest at the bank's prime lending rate plus 1%. Availability of operating loan borrowing is subject to margin requirements, and is determined based upon acceptable accounts receivable and inventory. No balance was outstanding on the operating loan as at March 31, 2016 (December 31, 2015 - \$nil); however, \$675,880 (December 31, 2015 - \$675,880) of the operating loan is committed, although not funded, in order to secure letters of credit totalling \$1,351,760 (December 31, 2015 - \$1,351,760) as described below, which bear a different rate of interest.

The Corporation has a letter of commercial credit for \$603,000 to the benefit of the Government of Alberta for decommissioning and restoration at the Susan Lake pit. The Corporation has a letter of commercial credit for \$248,760 to the benefit of the Government of Alberta for decommissioning and restoration in relation to a miscellaneous lease for a storage yard located at the Poplar Creek site. The Corporation has

Note 8 – Capital Term Loan (continued)

a letter of commercial credit for \$500,000 to the benefit of the Government of Alberta for decommissioning and restoration at the Poplar Creek pit. A cost of 2.50% per annum is charged for each of the letters of commercial credit.

The Corporation also has access to a corporate credit card facility, up to a maximum of \$100,000.

Security under the existing facility is as follows:

- general security agreement creating a first priority security interest in all present and after acquired personal property of the Corporation and a floating charge over all the Corporation's present and after acquired real property;
- collateral land mortgage over half of a section of land located near Peace River, Alberta;
- assignment of risk insurance;
- environmental agreement and indemnity;
- security agreement over cash, credit balances and deposit instruments; and
- current account overdraft agreement in support of line of credit.

The Corporation is subject to three financial covenants as part of the credit facility. The funded debt to earnings before interest, taxes, stock based compensation, depreciation and amortization (EBITDA) ratio must be less than 2.75 to 1 for all reporting periods subsequent to and including March 31, 2016. The debt service coverage ratio must be more than 1.25 to 1 for all reporting periods subsequent to and including March 31, 2016. The Corporation must maintain a current ratio for all reporting periods subsequent to and including March 31, 2016 in excess of 1.25 to 1.

As at March 31, 2016, the Corporation is in compliance with the lender's covenants.

Total interest expense on the bank loan for the three months ended March 31, 2016 is \$4,643 (March 31, 2015 - \$16,586).

Note 9 – Lease Obligations

	Interest Rate	Monthly Instalments	March 31, 2016	December 31, 2015
Finance Leases				
HSBC Lease #1, due June 30, 2017	4.124%	\$ 24,457	\$ 333,790	\$ 403,242
HSBC Lease #2, due August 31, 2017	4.250%	65,253	1,074,807	1,257,847
HSBC Lease #3, due August 31, 2017	4.250%	6,627	109,244	127,832
HSBC Lease #4, due September 21, 2018	4.614%	7,452	210,846	230,617
HSBC Lease #5, due October 12, 2018	4.593%	7,481	218,367	238,150
Cat Financial Lease #1, due May 31, 2019	3.680%	3,611	126,127	135,741
Cat Financial Lease #2, due May 31, 2019	3.680%	3,450	120,494	129,679
Cat Financial Lease #3, due May 31, 2019	3.680%	3,927	137,158	147,612
Komatsu Financial Lease #1, due May 8, 2019	3.490%	13,935	500,639	537,859
			<u>2,831,472</u>	<u>3,208,579</u>
Current portion - principal due within one year			<u>1,548,053</u>	<u>1,532,121</u>
			<u>\$ 1,283,419</u>	<u>\$ 1,676,458</u>

Total interest expense on the lease obligations for the three months ended March 31, 2016 is \$31,477 (three months ended March 31, 2015 - \$40,072).

Note 10 - Income Taxes

The estimation of the Corporation's deferred tax assets and liabilities involves significant judgment to determine the future earning potential, the expected timing of the reversal of deferred tax assets and liabilities, or the result of interpretation of tax legislation which might differ from the ultimate assessment of the tax authorities. These differences may affect the tax amounts or the timing of the payment of taxes.

The tax effects of temporary differences that give rise to the net deferred tax liability are:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
Deferred tax assets:		
Cumulative eligible capital	\$ 35,084	\$ 35,084
Deferred gain on sale and leaseback	2,439	2,959
Share issuance costs and finance fees	51,400	77,869
Other	41,559	71,972
Environmental rehabilitation obligation	338,554	337,280
Tax benefit on loss carryforwards	232,984	
	<u>702,020</u>	<u>525,164</u>
Deferred tax liabilities:		
Resource properties	\$ 1,454,116	\$ 1,375,444
Intangible assets	383,500	442,000
Property and equipment (net of lease obligations)	697,662	669,155
	<u>2,535,278</u>	<u>2,486,599</u>
Net deferred tax liability	<u>\$ 1,833,258</u>	<u>\$ 1,961,435</u>

Income tax expense varies from the amount that would result from applying the combined federal and provincial income tax rates to income before income taxes. The rate changed during the year due to the changes in the provincial statutory rate. These variances are presented here:

	<u>Three months ended March 31, 2016</u>	<u>Three months ended March 31, 2015</u>
Income before income taxes	\$ (762,327)	\$ (1,759,938)
Statutory Canadian combined corporate tax rate	27.0%	25.0%
Expected tax recovery	(205,828)	(439,985)
Increase (decrease) from income taxes resulting from:		
Non-deductible expenses	64,904	71,475
Other	12,747	11,590
	<u>\$ (128,177)</u>	<u>\$ (356,920)</u>
The provision for taxes is comprised of:		
Provision for current taxes	\$ -	\$ (453,617)
Provision for deferred taxes	(128,177)	96,697
	<u>\$ (128,177)</u>	<u>\$ (356,920)</u>

Note 11 – Share Capital

a) Authorized:

An unlimited number of:
 Common voting shares with no par value
 Preferred shares, issuable in series

As at March 31, 2016, the Corporation has 33,303,650 common shares outstanding (March 31, 2015 – 33,303,650).

b) Stock options:

The Corporation has issued options to directors, officers, employees and consultants of the Corporation as incentives.

The continuity of the Corporation's outstanding stock options is as follows:

	Three months ended March 31, 2016		Twelve months ended December 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding:				
Beginning of period	3,416,265	\$ 1.37	3,006,264	\$ 1.69
Issued	-	-	1,390,000	0.52
Expired or cancelled	(337,931)	0.46	(979,999)	1.11
End of period	<u>3,078,334</u>	<u>\$ 1.40</u>	<u>3,416,265</u>	<u>\$ 1.37</u>

Of the 3,078,334 outstanding stock options as at March 31, 2016, 2,291,667 (December 31, 2015 – 2,496,265) options have vested and therefore, were exercisable at March 31, 2016 at a weighted average exercise price of \$1.74 per share (December 31, 2015 - \$1.72 per share).

The weighted average remaining contractual life of the options is 2.73 years (December 31, 2015 – 3.04 years).

No options were exercised in the three months ended March 31, 2016

Note 11 – Share Capital (continued)

The following is a summary of the outstanding stock options as of March 31, 2016:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Options Outstanding - March 31, 2016</u>
March 29, 2017	\$ 0.63	493,333
August 24, 2017	\$ 1.04	50,000
December 11, 2017	\$ 1.64	300,000
September 6, 2018	\$ 1.02	250,000
January 14, 2019	\$ 1.63	150,000
June 26, 2019	\$ 2.90	825,001
October 29, 2019	\$ 1.60	100,000
May 25, 2020	\$ 0.70	330,000
December 14, 2020	\$ 0.30	580,000
		<u>3,078,334</u>

c) Warrants:

The continuity of the Corporation's outstanding warrants is as follows:

	<u>Three months ended March 31, 2016</u>		<u>Twelve months ended December 31, 2015</u>	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding:				
Beginning of period	1,560,458	\$ 1.75	1,560,458	\$ 1.75
Expired	(1,560,458)	1.75	-	-
End of period	<u>-</u>	<u>\$ -</u>	<u>1,560,458</u>	<u>\$ 1.75</u>

These warrants expired on January 14, 2016 unexercised,

Note 11 – Share Capital (continued)

d) Net loss per common share

	Three months ended March 31, 2016	Three months ended March 31, 2015
Net loss per common share - basic		
Net loss	\$ (634,150)	\$ (1,403,318)
Weighted average number of common shares outstanding	33,303,650	33,303,650
Net loss per common share	\$ (0.019)	\$ (0.042)
Net loss per common share - diluted		
Net loss	\$ (634,150)	\$ (1,403,318)
Weighted average number of common shares outstanding	33,303,650	33,303,650
Effect of dilutive stock	-	-
Weighted average number of common shares outstanding assuming dilution	33,303,650	33,303,650
Net loss per common share	\$ (0.019)	\$ (0.042)

During the three months ended March 31, 2016, as well as the comparable period ended March 31, 2015, the Corporation was in a net loss position therefore the conversion of convertible securities is considered to be anti-dilutive.

Note 12 - Related Party Transactions

During the three months ended March 31, 2016, the Corporation incurred expenses of \$25,300 (three months ended March 31, 2015 - \$51,351) for services provided by certain directors and officers and certain companies controlled by certain directors and officers of the Corporation as further described below.

These costs are recorded in the financial statements as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Directors and Officers:		
Directors fees and expenses	\$ 25,000	\$ 30,351
Travel and miscellaneous	300	-
	\$ 25,300	\$ 30,351
Companies controlled by Directors and Officers:		
Rent	-	\$ 21,000
	-	21,000
	\$ 25,300	\$ 51,351

Note 12 - Related Party Transactions (continued)

Accounts payable and accrued liabilities includes \$22,500 for unpaid director fees as at March 31, 2016 (March 31, 2015 - \$25,875).

All related party transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

Note 13 – Compensation of Key Management

Key management personnel include members of the Board of Directors and the senior leadership team. Compensation for key management personnel, including directors, was as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Salaries and other benefits	\$ 145,000	\$ 114,583
Share-based compensation	31,256	130,556
	<u>\$ 176,256</u>	<u>\$ 245,139</u>

Note 14 - Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, long-term deposits, restricted cash, accounts payable and accrued liabilities, and capital term loan.

a) Fair Value

Due to the short-term nature of cash, accounts receivable, accounts payable and accrued liabilities, the carrying value of these financial instruments approximate their fair value. The fair value of restricted cash and capital term loan is a level 2 measurement and approximates the carrying values as they are at the market rate of interest. Long-term deposits are refundable. The fair value of long-term deposits is a level 2 measurement and not materially different from carrying value. The lease obligation is at a fixed rate of interest. The fair value of the lease obligation is not materially different from carrying value as they are at the market rate of interest.

b) Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash, restricted cash, accounts receivable, and long-term deposits. The Corporation's maximum credit risk at March 31, 2016 is the carrying value of these financial assets.

In the normal course of business the Corporation evaluates the financial condition of its customers on a continuing basis and reviews the credit worthiness of all new customers. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historical trends and other information. At March 31, 2016, 62.8% (December 31, 2015, 71.1%) of the Corporation's accounts receivable was due from one customer who owed more than 10% of the total receivables compared to four significant customers, which each owed greater than 10% of total accounts receivable as at December 31, 2015.

The Corporation's aged accounts receivable are comprised of 24.4% current, 40.8% past due up to 60 days and 34.8% past due over 60 days (compared to December 31, 2015 of 17.1% current, 74.8% past due up to 60 days and 8.1% past due over 60 days). While certain amounts are past due as at March 31, 2016, the majority this balance has been collected in April and management considers there is no impairment of the accounts receivable.

During the three months ending March 31, 2016, the Corporation did not write off any bad debts or

Note 14- Financial Instruments (continued)

allow for any accounts receivables.

Credit risk associated with cash and restricted cash is minimized substantially by ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade rating. Long-term deposits are held with the Government of Alberta minimizing their credit risk.

c) Liquidity Risk

The Corporation manages liquidity risk by ensuring sufficient funds are available to meet liabilities when they come due. As part of Athabasca's credit facility, the Corporation must maintain certain ratios. The Corporation has complied with all ratios as at March 31, 2016.

As at March 31, 2016 the Corporation has sufficient working capital to fund ongoing operations and meet its liabilities when they come due. Accordingly, the Corporation is not exposed to significant liquidity risk. The Corporation has identified its financial liabilities as accounts payable and accrued liabilities, capital term loan, including interest but excluding deferred financing costs, and lease obligations, including interest.

	0 - 1 year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	\$ 837,141	\$ -	\$ -	\$ 837,141
Capital term loan	252,396	-	-	252,396
Lease obligations, including interest	1,634,316	1,283,192	38,861	2,956,369
Total	<u>\$ 2,723,853</u>	<u>\$ 1,283,192</u>	<u>\$ 38,861</u>	<u>\$ 4,045,906</u>

The Corporation's projected cash flow from operating activities and existing availability from credit facilities are expected to be greater than anticipated capital expenditures and the contractual maturities of the Corporation's financial liabilities as at March 31, 2016.

d) Interest Rate Risk

The Corporation is exposed to interest rate risk on the variable rate capital term loan. The Corporation's capital term loan bears interest at 1.75% over the bank's prime lending rate. The Corporation's operating loan bears interest at 1.00% over the bank's prime lending rate. As the bank's prime lending rate fluctuates so will the cost of borrowing.

A 100 basis point increase in the interest rate on outstanding debt with variable interest rates would have negatively impacted earnings by approximately \$250 in 2016 (March 31, 2015 - \$1,250).

Note 15 - Capital Disclosures

The capital structure of the Corporation consists of net debt (borrowings, offset by cash) plus equity (comprised of share capital, contributed surplus and retained earnings). As at March 31, 2016, total managed capital was \$20,011,578 (December 31, 2015 - \$21,504,412) consisting of cash of \$2,925,800 (December 31, 2015 - \$2,644,430), shareholders' equity of \$19,857,625 (December 31, 2015 - \$20,444,560) and interest bearing debt of \$3,079,753 (December 31, 2015 - \$3,704,282).

The Corporation's objective when managing capital is to provide sufficient capital to cover normal operating and capital expenditures. In order to maintain or adjust the capital structure, the Corporation may issue debt, purchase shares for cancellation pursuant to normal course issuer bids or issue new shares. The Corporation is subject to externally imposed capital requirements.

There were no changes to the Corporation's capital management during the twelve months ended March 31, 2016.

Note 16 - Supplemental Cash Flow Disclosures

	<u>Three months ended March 31, 2016</u>	<u>Three months ended March 31, 2015</u>
The Corporation received (paid) cash during the period for:		
Interest received	\$ 4,029	\$ 3,163
Interest paid	(36,120)	(56,658)

Note 17 - Supplemental Income Statement Disclosures

Finance costs are comprised of the following:

	<u>Three months ended March 31, 2016</u>	<u>Three months ended March 31, 2015</u>
<u>Finance Costs</u>		
Interest on long-term debt	\$ 4,643	\$ 16,586
Interest on lease obligations	31,477	40,072
	<u>\$ 36,120</u>	<u>\$ 56,658</u>
 <u>Other Costs</u>		
Amortization of deferred financing costs	2,578	2,578
ERO accretion expense	5,942	4,432
Gain on disposal of property and equipment	(5,635)	-
Other	(34,564)	5,940
Other Income and Expenses	<u>\$ (31,679)</u>	<u>\$ 12,950</u>

For comparative purposes, finance costs have been separated into finance costs and other costs.
Current year

Note 18 - Seasonality

The Corporation derives revenues from managing the supply of, and from the production of, various types of aggregates in Northern Alberta. Aggregate sales and the associated delivery can often be hampered by the weather conditions and the timing of spring break-up. Most construction, infrastructure and oil sands projects, to which the Corporation supplies aggregate, typically ramp up later in the summer and fall when ground conditions improve. As a result, there is a seasonal nature to operations, with winter and spring traditionally being the slowest time for the Corporation.

Note 19 – Contingency

The Corporation has recently received the Statement of Defence and Counterclaim from Syncrude Canada Ltd. ("Syncrude") in respect to the Corporation's dispute with Syncrude regarding approximately \$620,000 in user fees and government royalties that the Corporation believes are owed by Syncrude to the Corporation in respect of gravel used by Syncrude from the Susan Lake Public Pit. In addition to denying all allegations in the Corporation's Statement of Claim, Syncrude has brought several counterclaims against the Corporation and is seeking damages in excess of \$68,000,000 (the "Counterclaim"). The Corporation is uncertain of the outcome of the claim at this time.

Management believes the counterclaim is without merit and will defend it rigorously.

Note 20 – Subsequent Events

The Corporation has entered into a definitive agreement for the sale of Athabasca's rights, title and interests surrounding three leases bordering the Obed Transloading Facility to Wayfinder Corp, for a purchase price of CDN \$800,000. Athabasca Minerals has received a CDN \$200,000 non-refundable deposit related to this Agreement, with a final closing expected on or before June 30, 2016.