Athabasca MINERALS INC.

**UNAUDITED FINANCIAL STATEMENTS**

**For the Three Months Ended**

**February 28, 2010 and 2009**

**ATHABASCA MINERALS INC.**

Notice of No Auditor Review of Interim Financial Statements
Three months ended February 28, 2010

The accompanying unaudited 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 financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

April 26, 2010

| | |
|---|---|
| *[ Udomdej Kriangkum]* | *[ Kevin Spitzmacher]* |
| Udomdej Kriangkum<br>Chief Executive Officer | Kevin Spitzmacher<br>Chief Financial Officer |

## ATHABASCA MINERALS INC.

### Balance Sheets

| | February 28, 2010 (unaudited) | November 30, 2009 (audited) |
|---|---|---|
| **ASSETS** | | |
| **CURRENT** | | |
| Cash | $ 1,572,332 | $ 2,077,716 |
| Accounts receivable | 938,014 | 1,769,709 |
| Prepaid expenses | 169,063 | 121,861 |
| Prepaid stripping costs | 614,323 | 339,602 |
| Short- term investment | 603,000 | 603,000 |
| | 3,896,732 | 4,911,888 |
| LONG -TERM DEPOSITS (Note 3) | 100,050 | 50,000 |
| PROPERTY AND EQUIPMENT | 790,300 | 828,881 |
| RESOURCE PROPERTIES | 3,140,072 | 2,999,617 |
| INTANGIBLE ASSETS | 6,904,620 | 7,139,013 |
| GOODWILL | 2,537,701 | 2,537,701 |
| | $17,369,475 | $18,467,100 |
| **LIABILITIES** | | |
| **CURRENT** | | |
| Accounts payable and accrued liabilities | $ 610,696 | $ 1,073,593 |
| Demand loans (Note 4 ) | 6,930,834 | 7,383,146 |
| Income tax payable | 1,368 | 41,757 |
| Current portion of long-term debt | - | 60,000 |
| | 7,542,898 | 8,558,496 |
| ASSET RETIREMENT OBLIGATION | 217,596 | 213,169 |
| FUTURE INCOME TAX | 2,508,450 | 2,505,772 |
| | 10,268,944 | 11,277,437 |
| **SHAREHOLDERS' EQUITY** | | |
| SHARE CAPITAL | | |
| Common shares (Note 6 b) | 6,786,857 | 6,610,693 |
| Warrants (Note 6 d) | - | 176,164 |
| | 6,786,857 | 6,786,857 |
| CONTRIBUTED SURPLUS (Note 7 ) | 656,900 | 598,763 |
| DEFICIT | (343,226) | (195,957) |
| | 7,100,531 | 7,189,663 |
| | $17,369,475 | $18,467,100 |

The accompanying notes are a part of these financial statements.



Athabasca MINERALS INC.

## ATHABASCA MINERALS INC.

### Statements of Net Loss, Comprehensive Loss and Deficit

| | Three Months Ended February 28, 2010 | Three Months Ended February 28, 2009 |
|---|---|---|
| | (unaudited) | (unaudited) |
| AGGREGATE MANAGEMENT FEE REVENUE | $ 1,086,134 | $ 1,016,822 |
| ROYALTIES | 267,815 | 326,112 |
| | 818,319 | 690,710 |
| AGGREGATE MANAGEMENT OPERATING EXPENSES | 254,927 | 417,930 |
| | 563,392 | 272,780 |
| EXPENSES | | |
| Accretion | 4,427 | - |
| Amortization of property and equipment | 42,336 | 40,930 |
| Amortization of intangible assets | 234,393 | 222,834 |
| General and administrative | 342,025 | 260,701 |
| Interest on long-term debt | - | 11,315 |
| Interest on demand loans | 73,606 | 106,654 |
| Stock-based compensation (Note 7 ) | 58,137 | (13,594) |
| | 754,924 | 628,840 |
| LOSS BEFORE OTHER ITEMS | (191,532) | (356,060) |
| OTHER INCOME (LOSS) | | |
| Interest income | 6,552 | 14,695 |
| Loss on disposal of property and equipment | - | (1,270) |
| | 6,552 | 13,425 |
| LOSS BEFORE INCOME TAXES | (184,980) | (342,635) |
| INCOME TAXES | | |
| Current income tax expense (recovery) | (40,389) | 20,837 |
| Future income tax expense (recovery) | 2,678 | (94,184) |
| | (37,711) | (73,347) |
| **NET LOSS AND COMPREHENSIVE LOSS** | **(147,269)** | **(269,288)** |
| DEFICIT, BEGINNING OF PERIOD | (195,957) | (1,529,280) |
| **DEFICIT, END OF PERIOD** | **$ (343,226)** | **$ (1,798,568)** |
| **BASIC AND DILUTED LOSS PER COMMON SHARE (Note 6 e)** | **$ (0.01)** | **$ (0.01)** |
| **WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING** | **27,978,165** | **27,978,165** |

The accompanying notes are a part of these financial statements.

## ATHABASCA MINERALS INC.

### Statements of Cash Flows

| | Three Months Ended February 28, 2010 (unaudited) | Three Months Ended February 28, 2009 (unaudited) |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss | $ (147,269) | $ (269,288) |
| Adjustments for non-cash items: | | |
| Amortization and accretion | 281,156 | 263,764 |
| Future income tax expense (recovery) | 2,678 | (94,185) |
| Stock-based compensation (Note 7 ) | 58,137 | (13,594) |
| Loss on disposal of equipment | - | 1,270 |
| | 194,702 | (112,033) |
| Net changes in non-cash working capital balances | | |
| Accounts payable and accrued liabilities | (462,897) | (2,438,290) |
| Accounts receivable | 831,695 | 4,162,618 |
| Income tax payable | (40,389) | - |
| Prepaid expenses | (47,202) | (4,651) |
| Prepaid stripping costs | (274,721) | - |
| | 201,188 | 1,607,644 |
| **INVESTING ACTIVITIES** | | |
| Long-term deposits | (50,050) | - |
| Proceeds on disposal of equipment | - | 1,906 |
| Purchase of property and equipment | (3,755) | (3,000) |
| Resource properties | (140,455) | (92,989) |
| | (194,260) | (94,083) |
| **FINANCING ACTIVITIES** | | |
| Repayment of advances from related parties (Note 5 ) | - | (250,000) |
| Repayment of bank loans | (452,312) | (150,000) |
| Repayment of long term debt | (60,000) | - |
| | (512,312) | (400,000) |
| NET INCREASE (DECREASE) IN CASH | (505,384) | 1,113,561 |
| CASH, BEGINNING OF PERIOD | 2,077,716 | 1,226,211 |
| CASH, END OF PERIOD | $ 1,572,332 | $ 2,339,772 |

Supplemental cash flow information (Note 9 )

The accompanying notes are a part of these financial statements.

## ATHABASCA MINERALS INC.

**Notes to Financial Statements**
For the Three Months Ended February 28, 2010 and 2009

### Note 1 – Significant Accounting Policies

The accompanying unaudited interim financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("GAAP") on a basis consistent with those followed in the November 30, 2009 audited financial statements. These unaudited interim financial statements do not include all the information and note disclosures required by GAAP for annual financial statements and therefore should be read in conjunction with the said November 30, 2009 audited financial statements and the notes below.

In the opinion of management, the unaudited interim financial statements include all adjustments (consisting of normal recurring accruals) considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. The unaudited interim financial statements were prepared using the same accounting policies and methods as those used in the Corporation's audited financial statements for the year ended November 30, 2009.

### Note 2 - Future Changes in Accounting Policies

The Corporation has not yet adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") and is currently reviewing these standards to determine the potential impact on its financial statements.

IFRS

On February 13, 2008, the CICA Accounting Standards Board announced that public accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Although IFRS employs a conceptual framework that is similar to GAAP, differences in accounting policies will have to be addressed.

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued three new accounting standards: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests with the objective of harmonizing Canadian accounting for business combinations with US and International standards. These standards need to be implemented concurrently and become effective December 1, 2011. In the event of a business combination, the Corporation will assess whether to early adopt the new accounting standards in order to minimize the amount of retroactive application when the Corporation adopts IFRS.

Financial Instruments – Recognition and Measurement

In April 2009, the CICA introduced Section 3855 to amend the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted.

## Note 3 - Long-Term Deposits

| | February 28, 2010 (unaudited) | November 30, 2009 (audited) |
|---|---|---|
| Prepaid gravel | $ 75,000 | $ 50,000 |
| Security deposit – Poplar Creek storage yard miscellaneous lease | 25,050 | - |
| Balance at end of period | $ 100,050 | $ 50,000 |

Pursuant to an option and lease agreement with a private land owner, the Corporation paid a total of $75,000 to the owner as a prepayment on the purchase of 125,000 cubic yards of gravel. Management does not expect to obtain the gravel in the next 12 months. Accordingly, the prepayment has been treated as a long term deposit.

The Corporation provided a security deposit of $25,050 paid to the Province of Alberta in relation to the miscellaneous lease for the storage yard at the Poplar Creek site. The security deposit is refundable at the expiry of the lease in 2013.

## Note 4 - Demand Loans

| | February 28, 2010 (unaudited) | November 30, 2009 (audited) |
|---|---|---|
| Bank loan, repayable in monthly installments of $150,000 plus interest at the bank's prime lending rate plus 1.875%, due December 31, 2013. | $6,900,000 | $7,350,000 |
| Bank loan, repayable in monthly installments of $771 plus interest at the bank's prime lending rate plus 2%, due June 30, 2013. | 30,834 | 33,146 |
| | $ 6,930,834 | $ 7,383,146 |

**Note 4 - Demand Loans** (continued)

The bank loans have been classified as current liability since the lender has the right to demand repayment at any time. If not demanded, the principal repayment requirements for the subsequent five fiscal years are expected to be as follows:

| | |
|---|---|
| 2010 | $ 1,356,937 |
| 2011 | 1,809,250 |
| 2012 | 1,809,250 |
| 2013 | 1,805,397 |
| 2014 | 150,000 |
| | $ 6,930,834 |

The following security is provided for the demand loans and the following additional credit facilities:

- general security agreement
- mortgage over half of a section of land located near Peace River, Alberta
- withhold of management compensation
- assignment of investment at a minimum of $600,000

The Corporation has a letter of commercial credit for $603,000 to the benefit of the Province of Alberta for reclamation at the Susan Lake pit. A cost of 1.75% per annum is charged for the letter of commercial credit.

The Corporation has access to a corporate credit card facility, up to a maximum of $50,000 of which $30,000 has been utilized.

The Corporation has access to a letter of commercial credit, for which the maximum of $250,000 is available at a cost of 1.75% per annum relating to reclamation. As at February 28, 2010, a letter of commercial credit of $248,760 has been issued to the benefit of the Province of Alberta in relation to a miscellaneous lease for a storage yard located at the Poplar Creek site.

As at February 28, 2010, the Corporation is in compliance with the lender's financial covenants.

## Note 5 - Related Party Transactions

During the three months ended February 28, 2010 the Corporation incurred expenses of $157,555 (Three months ended February 28, 2009 - $140,093) in consulting, letter of credit fees, interest expense, and rental fees from certain directors and officers and certain companies controlled by certain officers and directors of the Corporation.

These fees are recorded in the financial statements as follows:

| | Three Months Ended February 28, 2010 | Three Months Ended February 28, 2009 |
|---|---|---|
| Directors and officers: | | |
| Consulting fees | $ 7,603 | $ 9,551 |
| Interest | - | 845 |
| | 7,603 | 10,396 |
| Companies controlled by directors and officers: | | |
| Consulting fees | 115,952 | 102,916 |
| Interest | - | 9,293 |
| Letter of credit fees | 20,000 | 5,488 |
| Rent | 14,000 | 12,000 |
| | 149,952 | 129,697 |
| | $ 157,555 | $ 140,093 |

There is $19,504 related to these expenses recorded in accounts payable and accrued liabilities at February 28, 2010 (February 28, 2009 - $16,965).

During the three months ended February 28, 2010, the Corporation had exploration costs of $6,170 (three months ended February 28, 2009 - $ Nil) charged by companies controlled by directors and officers.

During the three months ended February 28, 2010 there was a $4,000 (three months ended February 28, 2009 - $Nil) long term debt repayment to directors and officers and a $44,000 (three months ended February 28, 2009 - $ Nil) long term debt repayment to companies controlled by directors and officers. As at February 28, 2010, the long term debt has been fully repaid.

During the three months ended February 28, 2010, the Corporation repaid $ Nil (three months ended February 28, 2009 - $250,000) in advances from a company controlled by a director. The advances were unsecured, bearing interest at 7.5% and payable upon demand.

Companies controlled by certain directors and officers of the Corporation have provided a $500,000 letter of credit to the benefit of the Province of Alberta for reclamation at the Poplar Creek pit. In exchange, the Corporation pays letter of credit fees to these related companies in the amount of 4% of the letter of credit amount.

**Note 5 - Related Party Transactions** (continued)

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

**Note 6 - Share Capital**

a) Authorized:
An unlimited number of
Class "A" voting common shares
Class "B" non-voting common shares
Class "C" voting, non-cumulative, redeemable, retractable preferred shares Class "D" non-voting, non-cumulative, redeemable, retractable preferred shares

b) The Corporation has issued Class "A" shares of its share capital as follows:

| | Three Months Ended February 28, 2010 | | Year ended November 30, 2009 | |
|---|---|---|---|---|
| | Number of Shares | Amount | Number of Shares | Amount |
| Balance at beginning of period | 27,978,165 | $ 6,610,693 | 27,978,165 | $ 6,331,823 |
| Warrants expired (Note 6d ) | - | 176,164 | - | 278,870 |
| | 27,978,165 | $ 6,786,857 | 27,978,165 | $ 6,610,693 |

**Note 6 - Share Capital** (continued)

c) Stock options:

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

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

| | Three Months Ended February 28, 2010 | | Year Ended November 30, 2009 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Options outstanding, beginning of period | 2,537,435 | $ 0.40 | 1,937,435 | $ 0.40 |
| Issued | - | $ 0.27 | 900,000 | $ 0.27 |
| Expired | (200,000) | $ 0.40 | - | - |
| Cancelled | - | $ 0.40 | (300,000) | $ 0.40 |
| Options outstanding, end of period | 2,337,435 | $ 0.35 | 2,537,435 | $ 0.35 |

1,487,435 options were exercisable at February 28, 2010 at a weighted average exercise price of $0.35.

The weighted average remaining contractual life of the options is 3.16 years.

The Corporation's stock option plan provides that the Board of Directors may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase common shares. The stock option plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange. Options may be exercisable for up to ten years from the date of grant, but the Board of Directors has the discretion to grant options that are exercisable for a shorter period. Options under the stock option plan are not transferable or assignable. Pursuant to the stock option plan, options must be exercised within a reasonable period following termination of employment or cessation of the optionee's position with the Corporation, or such other period established by the Board of Directors, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option may be exercised within one year, subject to the expiry date.

**Note 6 - Share Capital** (continued)

c) Stock options (continued)

The following is a summary of the outstanding options:

| Expiry Date | Exercise Price | Number of Options Outstanding February 28, 2010 | Number of Options Outstanding November 30, 2009 |
|---|---|---|---|
| January 1, 2010 | $ 0.40 | - | 200,000 |
| January 8, 2012 | $ 0.40 | 1,022,435 | 1,022,435 |
| April 4, 2013 | $ 0.43 | 100,000 | 100,000 |
| May 13, 2013 | $ 0.40 | 75,000 | 75,000 |
| July 28, 2013 | $ 0.40 | 240,000 | 240,000 |
| September 21, 2014 | $ 0.25 | 800,000 | 800,000 |
| November 2, 2014 | $ 0.40 | 100,000 | 100,000 |
| | | 2,337,435 | 2,537,435 |

d) Warrants:

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

| | Weighted Average Exercise Price | Number of Warrants | Amount Price |
|---|---|---|---|
| Balance, November 30, 2009 | $ 0.60 | 1,185,000 | $ 176,164 |
| Expired | $ 0.60 | (1,185,000) | (176,164) |
| Balance, February 28, 2010 | | Nil | $ Nil |

e) Diluted income (loss) per common share

All share options and warrants, which potentially could dilute basic earnings per share in the future, have been excluded from diluted earnings per common share as these securities are anti-dilutive for the period ended February 28, 2010. Accordingly, basic and diluted earnings per share are the same amount.

## Note 7 - Contributed Surplus

| | February 28, 2010 (unaudited) | November 30, 2009 (audited) |
|---|---|---|
| Balance beginning of period | $ 598,763 | $ 536,679 |
| Stock based compensation expense | 58,137 | 62,084 |
| Balance, end of period | $ 656,900 | $ 598,763 |

## Note 8 - Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, short term investment, long term deposits, accounts payable and accrued liabilities and demand loans.

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 demand loans and short term investment approximates their carrying values 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 accounts receivable. 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. The maximum credit risk exposure at February 28, 2010 is $938,014 representing the Corporation's accounts receivable. At February 28, 2010, 86% of the Corporation's accounts receivable was receivable from four customers.

The Corporation’s aged accounts receivable are comprised of 73% current, 6% past due up to 60 days and 21% past due over 60 days. While certain amounts are past due, there is no impairment of the accounts receivable.

c) Liquidity Risk

The Corporation manages liquidity risk by ensuring sufficient funds are available to meet liabilities when they come due. Under its long term credit facilities, the Corporation must maintain certain ratios. The Corporation has complied with all financial covenants as at February 28, 2010 however the credit facilities are due on demand. The demand feature of the credit facilities increases the Corporation’s liquidity risk as the bank could demand repayment at any time. Management has assessed this risk and believes that it has sufficient capital through internally generated cash flows or alternate sources of financing to mitigate this risk.

**Note 8 - Financial Instruments** (continued)

As at February 28, 2010 the Corporation had 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 demand loans. In aggregate the contractual maturities and amount due at maturity by fiscal year for these financial liabilities should no early demand occur are as follows:

| | |
|---|---|
| 2010 | $ 1,356,937 |
| 2011 | 1,809,250 |
| 2012 | 1,809,250 |
| 2013 | 1,805,397 |
| 2014 | 150,000 |

The Corporation's existing credit facilities and cash flow from operating activities is expected to be greater than anticipated capital expenditures and the contractual maturities of the Corporation's financial liabilities for 2010. The expectation could be adversely affected by a material negative change in the demand for aggregate or the Corporation's management contracts.

d) Foreign Currency Risk

The Corporation has no exposure to foreign currencies as the Corporation's business is conducted in Canadian dollars.

e) Interest Rate Risk

The Corporation has an interest bearing term deposit and carries variable rate debt financing. Given the interest rate is fixed on the term deposit, the Corporation is not exposed to any interest rate risk on this financial instrument. However, the Corporation is exposed to interest rate risk on the variable rate demand loans. As at February 28, 2010, a 100 basis point increase or decrease in interest rate on the demand loans would increase or decrease net loss and comprehensive loss by approximately $49,000.

The Corporation's bank loans bear interest at 1.875% and 2% over the bank prime lending rate. As the bank prime lending rate fluctuates so will the cost of borrowing. While exposed to interest rate risk in the short term, the Corporation has the ability to convert the variable rate financing to fixed rate financing thereby significantly reducing the exposure to interest rate risk. Given the ability to convert to a fixed rate bank loan, the Corporation is not exposed to significant interest rate risk.

## Note 9 - Supplemental Cash Flow Information

The Corporation paid or received cash during the period for the following:

| | Three Months Ended February 28, 2010 | Three Months Ended February 28, 2009 |
|---|---|---|
| Interest paid | $ 73,606 | $ 123,278 |
| Income taxes paid | $ Nil | $ 20,837 |
| Interest received | $ 522 | $ 14,696 |

## Note 10 - Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current period's presentation.