Athabasca MINERALS INC.

THREE MONTHS ENDED MARCH 31, 2023 and 2022

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of Athabasca Minerals Inc. (the "Corporation" or "AMI" or "Athabasca") have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by CPA Canada for a review of interim financial statements.

Interim Condensed Consolidated Statements of Financial Position (Unaudited)

	Notes	As at March 31, 2023	As at December 31, 2022
ASSETS			
Current			
Cash		$ 1,024,083	$ 800,265
Trade and other receivables	5, 21	7,069,288	5,102,611
Inventory	6	3,963,942	3,988,746
Prepaid expenses and deposits		895,170	664,279
Current Assets		12,952,483	10,555,901
Long-term deposits	7	788,876	788,876
Restricted cash	8	120,148	120,148
Contract costs	9	1,402,130	1,402,130
Property, plant and equipment	4, 10	38,541,405	38,406,067
Right-of-use assets	4, 13	9,548,838	10,032,288
Intangible assets	12	24,433	23,468
Resource properties	11	8,050,201	8,050,201
Total Assets		$ 71,428,514	$ 69,379,079
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	21	$ 12,394,335	$ 9,687,653
Income taxes payable - Canada		93,365	93,365
Income taxes payable - USA		496,271	496,685
Current portion of bank and other loans	14	2,687,928	872,834
Current portion of lease obligations	16	1,641,376	1,551,983
Current portion of environmental rehabilitation obligations	17	606,327	609,480
Current Liabilities		17,919,602	13,312,000
Bank and other loans	14	1,540,427	1,613,578
Lease obligations	16	8,272,102	8,731,768
Deposit liabilities		63,564	49,376
Shareholders' loans	15	2,738,325	2,238,600
Deferred tax liability	4	8,272,219	8,278,943
Environmental rehabilitation obligations	17	5,835,154	5,774,492
Total Liabilities		44,641,392	39,998,759
Shareholders' Equity			
Share capital	18	23,509,890	23,509,890
Contributed surplus		5,530,052	5,493,352
Retained earnings (deficit)		(2,667,668)	(977,340)
Accumulated other comprehensive income		414,847	1,354,417
Total Shareholders' Equity		26,787,121	29,380,320
Total Liabilities and Shareholders' Equity		$ 71,428,514	$ 69,379,079

Note 1 Nature of Business and Going Concern and Strategic Alternatives and Note 25 Subsequent Event
The accompanying notes are an integral part of these interim condensed consolidated financial statements

Approved by the Board of Directors

" Don Paulencu "
Director

"Dale Nolan"
Director

Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (Unaudited)

		Three months ended March 31	
	Notes	2023	2022
Product sales revenue	24	$ 12,336,246	$ 5,905,760
Services revenue	24	660,194	1,138,847
Gross revenue, including royalties		12,996,440	7,044,607
Less: provincial royalties		(77,699)	(60,161)
Revenue, net of royalties		12,918,741	6,984,446
Operating costs		(11,890,402)	(5,746,817)
Depreciation, depletion, and amortization expense		(1,228,619)	(55,004)
Cost of sales		(13,119,022)	(5,801,821)
Gross profit (loss)		(200,281)	1,182,625
General and administrative expenses		(950,317)	(864,653)
Severance expense		(76,746)	-
Share-based compensation	18	(31,083)	(65,515)
Other operating expenses	23	(63,373)	(23,733)
Operating income (loss)		(1,321,800)	228,724
Finance costs	23	(385,151)	(9,546)
Gain on acquisition of Wisconsin assets	4	-	22,344,146
Other non-operating income	23	16,452	15,857
Interest income		172	667
Income (loss) before income taxes		(1,690,328)	22,579,848
Current tax expense		-	-
Deferred tax recovery		-	-
Net income (loss)		(1,690,328)	22,579,848
Other comprehensive income (loss)			
Foreign exchange differences from translating foreign operations	24	(939,570)	(293,826)
Total comprehensive income (loss)		$ (2,629,898)	$ 22,286,022
Total comprehensive income (loss) per common share - basic	18	$ (0.033)	$ 0.289
Total comprehensive income (loss) per common share - diluted	18	$ (0.033)	$ 0.284
Weighted average number of shares outstanding	18	78,582,686	77,122,210

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

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

	Notes	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance as at December 31, 2021		**76,964,088**	**$ 22,971,793**	**$ 5,324,170**	**$ -**	**$ (13,144,686)**	**$ 15,151,277**
Shares issued	**18**	**100,000**	$ 32,990	$ -	$ -	$ -	$ 32,990
Share-based compensation	**18**	-	-	52,140	-	-	52,140
Stock options exercised	**18**	81,000	30,677	(11,611)	-	-	19,066
Total income and comprehensive income for the period		-	-	-	(293,826)	22,579,848	22,286,022
Balance as at March 31,2022		**77,145,088**	**$ 23,035,460**	**$ 5,364,699**	**$ (293,826)**	**$ 9,435,162**	**$ 37,541,495**
Balance as at December 31,2022		**78,582,686**	**$ 23,509,890**	**$ 5,493,352**	**$ 1,354,417**	**$ (977,340)**	**$ 29,380,319**
Share-based compensation - options	**18**	-		$ 36,700	-	-	$ 36,700
Total loss and comprehensive loss for the period		-	-	-	(939,570)	(1,690,328)	(2,629,898)
Balance as at March 31, 2023		**78,582,686**	**$ 23,509,890**	**$ 5,530,052**	**$ 414,847**	**$ (2,667,668)**	**$ 26,787,121**

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

Interim Consolidated Statements of Cash Flows (Unaudited)

	Notes	Three months ended March 31, 2023	2022
OPERATING ACTIVITIES			
Net income (loss)		$ (1,690,328)	$ 22,579,848
Adjustments for non-cash items			
Depreciation, depletion, and amortization expense		$ 1,228,619	55,004
Amortization of resource property lease costs		-	2,780
Amortization of environmental rehabilitation obligations asset		-	8,620
Amortization of contract costs		-	8,089
Change in estimate for environmental rehabilitation obligations	17	-	-
Change in discount rate for environmental rehabilitation obligations	17	-	(12,888)
Accretion of environmental rehabilitation obligations	17	60,663	17,132
Gain on acquisition of Wisconsin Assets	4	-	(22,344,146)
Share-based compensation	18	36,700	65,515
Changes in non-cash working capital balances			
Trade and other receivables		(2,408,140)	(4,374,091)
Amounts due from related entities		-	-
Prepaid expenses and deposits		(230,891)	(95,683)
Inventory	6	-	(2,310,049)
Accounts payable and accrued liabilities		2,286,643	5,407,401
Income taxes payable (recoverable)		-	17,464
Net cash used in operating activities		**(716,734)**	(975,004)
INVESTING ACTIVITIES			
Purchase of property and equipment		(925,441)	(624,800)
Net cash used in investing activities		**(925,441)**	(624,800)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares, private placement		-	32,990
Proceeds from bank loans	14	2,000,000	-
Proceeds from shareholders' loans	15	500,000	(137,622)
Repayment of bank loans	14	(263,736)	-
Interest payment on shareholders' loan	15	-	(9,715)
Repayment of lease obligations	16	(370,270)	-
Net proceeds from exercise of stock options	18	-	19,066
Net cash from (used in) financing activities		**1,865,994**	(95,281)
Impact of foreign currency translation		-	(293,826)
Net change in cash		**223,819**	(1,695,085)
Cash, beginning of period		800,265	2,517,433
Cash, end of period		**$ 1,024,084**	$ 528,522

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

Note 1 - Nature of Business and Going Concern and Strategic Alternatives

a) General

Athabasca Minerals Inc. (the "Corporation") is a public corporation incorporated under the Business Corporations Act (Alberta) in 2006, and its shares are listed on the TSX Venture Exchange under the symbol AMI-V. The Corporation's head office is located at 4409 94 Street NW, Edmonton, Alberta, Canada T6E 6T7.

The Corporation is an integrated group of companies capable of full life-cycle development and supply of aggregates and industrial sand. The Corporation is comprised of the following business units:

- **AMI Silica** division has resource holdings and business interests in Alberta, North-East BC, and the United States with its 50% interest in AMI Silica LLC.

- **AMI Aggregates** division produces and sells aggregates from its corporate pits and manages the Coffey Lake Public Pit on behalf of the Government of Alberta.

- **AMI RockChain** division is a midstream, technology-enabled business using its proprietary RockChain™ digital platform, automated supply-chain and logistics solutions, quality-assurance & safety programs to deliver products across Canada.

- **Métis North Sand & Gravel** is a strategic partnership with the McKay Métis Group to deliver aggregates to the energy, infrastructure, and construction sectors in the Wood Buffalo region. In December 2022, the Corporation ceased its limited partner position in the partnership but continues to provide services to the partnership under an operating agreement.

- **TerraShift Engineering** conducts resource exploration, regulatory, mining, environmental and reclamation engineering for a growing nation-wide customer base and is also the developer of the proprietary TerraMaps™ software. As of August 24, 2022, the Corporation began to phase out the operations of TerraShift as part of the Corporation's staged plan to create a sustainable and resilient business model. TerraMaps™ and other assets will be maintained to continue to be of benefit to other AMI divisions.

The unaudited interim condensed consolidated financial statements for the three months ended March 31, 2023 were approved and authorized for issue by the Corporation's Board of Directors on June 7, 2023.

b) Going Concern

The basis of presentation below notes the Corporation's interim condensed consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future. The Corporation's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. During the three months ended March 31, 2023, the Corporation had a net loss of $1,690,328 (year ended December 31, 2022 – net income of $12,167,346 including a $24,057,403 gain on acquisition) and net cash used in operations of $716,735 (year ended December 31, 2022-$1,336,443). These aforementioned conditions have resulted in material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern. The ability of the Corporation to continue as a going concern and to meet its obligations will be dependent upon generating positive cash flows from operations as well as obtaining debt or equity financing. However, there can be no assurance that the steps management is taking will be successful. The accompanying consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could have a material impact on the interim condensed consolidated financial statements.

c) Strategic Alternatives

On March 28, 2023, the Corporation announced that its Board of Directors, together with the support of management, has initiated a process to evaluate potential strategic alternatives to maximize shareholder value. As part of the process, the Board of Directors is considering a full range of strategic alternatives, which may include financing alternatives, merger, amalgamation, plan of arrangement, reorganization, other business combinations, sale of assets, or other transactions. There can be no assurance that the evaluation of strategic alternatives will result in any strategic alternative, or any assurance as to its outcome or timing.

Note 2 - Basis of Presentation

a) Statement of Compliance

The unaudited interim condensed consolidated financial statements for the three months ended March 31, 2023, including comparatives, were prepared in accordance with IAS 34 International Accounting Standard – "Interim Financial Reporting" (IAS 34) as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") have been condensed or omitted.

The significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the Corporation's audited consolidated financial statements for the year ended December 31, 2022 and should be read in conjunction with those consolidated financial statements. Actual results may differ from estimated results due to differences between estimated or anticipated events and actual events and results.

b) Basis of Presentation

These unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except as detailed in the Corporation's accounting policy set out in Note 3 in the Corporation's audited consolidated financial statements for the year ended December 31, 2022.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". They do not contain all the necessary annual disclosures and as a result, they should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2022.

These unaudited interim condensed consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, AMI Aggregates Inc., AMI RockChain Inc. ("AMI RockChain"), which was incorporated on March 19, 2018 and AMI Silica Inc. ("AMI Silica"), which was incorporated on May 30, 2018 (collectively the "subsidiaries"). Additionally, on June 30, 2020, AMI RockChain acquired 100% of the shares in TerraShift. On February 5, 2021, the Corporation acquired control of the numbered Alberta corporations that respectively own the Montney In-Basin Project and the Duvernay Project by securing 100% ownership of each company. The Corporation and JMAC Energy Services LLC. jointly control AMI Silica LLC on a 50/50 basis. AMI Silica LLC was formed under the laws of North Dakota effective June 2, 2021.

The assets, liabilities, equity, income, expenses, and cash flows of the Corporation and its wholly owned subsidiaries to the date of these consolidated financial statements have been combined and any intercompany investments and transactions have been eliminated upon consolidation. Uniform accounting policies are used by all entities. All transactions in the subsidiaries are reflected in these unaudited interim consolidated financial statements.

c) Functional and Presentation Currency

These unaudited interim consolidated financial statements are presented in Canadian dollars which is the functional currency of the Canadian parent and its subsidiaries. The functional currency of AMI Silica LLC. is the US dollar which then is translated to the presentation currency. Effective with the business combination (note 4), the functional currency of AMI Silica LLC changed from the Canadian dollar to the US dollar.

The assets and liabilities of the U.S. joint operations are translated into the presentation currency at the closing rate, the income and expenses have been translated into the presentation currency at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognized in the currency translation reserve in equity.

Note 3 - Significant Accounting Policies

The accounting policies applied in these unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2023 are the same as those applied in the December 31, 2022 audited consolidated financial statements.

Note 4 – Business Combination

Effective February 1, 2022, the Corporation acquired an operational U.S. sand mine and facilities in Hixton, Wisconsin, through its 50%/50% jointly controlled operation, AMI Silica LLC. The Corporation closed the Definitive Agreement on March 3, 2022, in an arms-length transaction for a total price of $1,000,000 USD. The Corporation was able to acquire these assets at a bargain purchase, as the seller had made a strategic decision to exit the industry. As the fair value of the assets acquired was significantly higher than the purchase price, a large gain was recognized on the acquisition.

In accordance with IFRS 3 Business Combinations ("IFRS 3"), this transaction meets the definition of a business combination and, accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date, being February 1, 2022. The purchase price was allocated based on the Corporation's fair value estimates and was audited by a third-party.

The initial unaudited recorded gain on acquisition of the Wisconsin assets for the three months ended March 31, 2022 was increased by $1,322,614 in Q4-2022 as a result of the audit of the consolidated financial statements for the year ended December 31, 2022.

The transaction costs of $225,000 were expensed to general and administrative expenses in 2022.

The purchase price allocation was as follows:

		USD 100% Joint Venture		CAD (100%)		CAD 50% AMI ownership
Purchase price		$ 2,200,563		$ 2,793,395		$ 1,396,698
Railcar sublease Asset	5,131,507		6,513,935		3,256,968	
		5,131,507	-	6,513,935	-	3,256,968
Land - Plant site	3,701,250		4,698,367		2,349,184	
Land - Transload	345,600		438,705		219,353	
Plant Phase 2	24,108,790		30,603,697		15,301,849	
Plant Phase 1	20,598,152		26,147,293		13,073,646	
Transload	5,513,208		6,998,466		3,499,233	
Mobile assets	5,165,000		6,556,451		3,278,226	
Property, plant and equipment		59,432,000		75,442,979		37,721,491
Reclamation and other liabilities		(6,630,405)		(8,416,636)		(4,208,318)
Railcar sublease obligation		(5,131,507)		(6,513,935)		(3,256,968)
Deferred taxes liability		(13,763,481)		(17,471,363)		(8,735,682)
Gain on acquisition of Wisconsin Assets		(36,837,551)		(46,761,587)		(23,380,794)
		$ 2,200,563		$ 2,793,393		$ 1,396,697

Note 5 – Trade and Other Receivables

Trade and other receivables are non-interest bearing and are carried at amortized cost, and impaired using the simplified approach which provides for potential losses using a matrix based on historical observed default rates. These provisions are known as lifetime expected credit losses.

During the three months ended March31, 2023, the estimated credit loss amounted to $nil (three months ended March 31, 2022: $nil). In February 2023, $388,787 of an estimated credit loss recorded in Q4-2022, was recovered.

Note 6 – Inventory

Aggregate Inventory with a production cost of $164,940 (three months ended March 31, 2022: $2,039,882) was sold and is included in operating costs for the three months ended March 31, 2023. Sand inventory with a production cost of $7,385,832 sold and included in operating costs for the three months ended March 31, 2023 (three months ended March 31, 2022: $2,496,461).

The inventory balance of $3,963,942 (December 31, 2022: $3,988,746) consists of $122,291 of unprocessed gravel, $54,411 of crushed gravel and $3,787,240 of sand (December 31, 2022: $122,291 of unprocessed gravel and $54,411 of crushed gravel and $3,812,044 of sand).

Note 7 – Long-term Deposits

	As at	
	March 31, 2023	December 31, 2022
Security deposits on gravel leases	$ 629,188	$ 629,188
Security deposits on miscellaneous leases	126,318	126,318
Security deposits on exploration leases	33,370	33,370
	$ 788,876	$ 788,876

Note 8 – Restricted Cash

	As at	
	March 31, 2023	December 31, 2022
Coffey Lake performance bond - right of way	100,000	100,000
Credit card facility	20,148	20,148
	$ 120,148	$ 120,148

The Corporation has secured a letter of credit to the benefit of Trisura Guarantee Insurance Company for a Coffey Lake right of way performance bond with the Government of Alberta (note 14) with a $100,000 (December 31, 2022-$100,000) guaranteed investment certificate. The Corporation has secured a corporate credit card facility (note 14) with a $20,000 (December 31, 2022-$20,000) guaranteed investment certificate.

Note 9 – Contract Costs

	Coffee Lake Public Pit	Duvernay Sand Project Off-take Agreement
Contract Assets at December 31, 2021	$ 1,419,735	$ 1,000,735
Amortization	(17,605)	-
Write-down	-	(1,000,735)
Contract Assets at December 31, 2022	**$ 1,402,130**	**$ -**
Contract Assets at March 31, 2022	**$ 1,402,130**	**$ -**

Note 9 – Contract Costs - continued

Coffey Lake

The Coffey Lake contract was awarded to the Corporation on February 21, 2019 and the site began operations on March 21, 2020. It is a 15-year contract with the Government of Alberta to construct, operate and manage the Coffey Lake public pit north of Fort McMurray, Alberta. The Coffey Lake contract costs were spent to enable the Corporation to prepare the site for operations. These costs are expected to be recovered through the receipt of fixed volume-based pit management fees from customers, net of Government of Alberta royalties.

The Coffey Lake contract costs are amortized based on actual volume sales as a proportion of the estimated economically recoverable resource (units of production method). For the three months ended March 31, 2023, the Corporation recorded amortization of $nil on the Coffey Lake contract costs (three months ended March 31 2022: $8,089).

Prosvita Sand Project Off-take Agreement

The Corporation signed an off-take agreement with Shell Canada Energy for silica sand from the Prosvita Sand Project in the first quarter of 2020. This off-take agreement, which include certain take-or-pay provisions, carries a five-year term with two mutually acceptable and separate one-year extensions beginning on the later of mid-2021 or 30 days after the Duvernay facility has been commissioned. Due to lengthy regulatory approvals and increasing cost estimates for Prosvita production facilities, it is unlikely silica sand will be produced from the Duvernay site before mid-2026, meaning the Corporation will not be able to meet the terms of this contract. Therefore, the contract costs of $1,000,735 were written off as at June 30, 2022.

Note 10 – Property, Plant and Equipment

	Notes	Equipment - Cdn Operations	Land - US Operations	Plant - US Operations	Transload - US Operations	Mobile Equipment - US Operations	Total
Cost:							
December 31, 2022		**$ 5,501,882**	**$ 2,740,528**	**$ 30,275,541**	**$ 3,733,544**	**$ 3,841,988**	**$ 46,093,483**
Additions		-	-	-	925,441	-	925,441
Foreign exchange movement		-	(1,507)	(31,030)	(4,106)	(4,226)	(40,869)
March 31, 2023		**$ 5,501,882**	**$ 2,739,021**	**$ 30,244,511**	**$ 4,654,879**	**$ 3,837,762**	**$ 46,978,055**
Accumulated Depreciation:							
December 31, 2022		**$ 5,041,749**	**$ -**	**$ 1,850,172**	**$ 114,081**	**$ 681,414**	**$ 7,687,416**
Additions		22,098	-	-	-	-	22,098
Additions from Business Combination	4	-	-	503,623	31,037	192,476	727,136
March 31, 2023		**$ 5,063,847**	**$ -**	**$ 2,353,795**	**$ 145,118**	**$ 873,890**	**$ 8,436,650**
Net book value:							
December 31, 2022		$ 460,133	$ 2,740,528	$ 28,425,369	$ 3,619,463	$ 3,160,574	$ 38,406,067
March 31, 2023		**$ 438,035**	**$ 2,739,021**	**$ 27,890,716**	**$ 4,509,761**	**$ 2,963,872**	**$ 38,541,405**

		Total
Year ended December 31, 2022 depreciation to statement of income and comprehensive income		$ 2,479,466
Year ended December 31, 2022 depreciation to repayment of ERO	Note 17	$ -
Year ended March 31, 2023 depreciation to statement of loss and comprehensive loss		**$ 727,136**
Year ended December 31, 2022 depreciation to repayment of ERO	**Note 17**	**$ -**

Note 11 – Resource Properties

	As at			
	March 31, 2023		Deceember 31,2022	
Exploration costs	$	**6,232,137**	$	6,232,137
Pit development costs		**620,855**		620,855
Environmental rehabilitation obligation assets		**1,040,110**		1,040,110
Other costs		**157,100**		157,100
	$	**8,050,201**	$	8,050,201

Exploration and Pit Development Costs

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

The following table summarizes the Exploration costs:

	Richardson	Hargwen	Montney in-basin	Prosvita	All Other Projects	Total
Cumulative Exploration Costs at December 31, 2022	$ -	$ -	$ 1,248,538	$ 4,946,324	$ 37,275	$ 6,232,137
Cumulative Exploration Costs at March 31, 2023	$ -	$ -	$ 1,248,538	$ 4,946,324	$ 34,788	$ 6,232,137

The following table summarizes the Pit Development costs:

	Firebag	Kearl	Logan	House River	Pelican Hill	Emerson	Lynton	Total
Cumulative Pit Development Costs at December 31, 2022	$ -	$ 500,534	$ 120,321	$ -	$ -	$ -	$ -	$ 620,855
Cumulative Pit Development Costs at March 31, 2023	$ -	$ 500,534	$ 120,321	$ -	$ -	$ -	$ -	$ 620,855

Environmental Rehabilitation Obligations (ERO) Asset

The following summarizes the ERO Asset:

	As at			
	March 31, 2023		December 31, 2022	
Opening Balance, ERO asset	$	**1,040,110**	$	1,500,372
Impairment of ERO asset		-		(384,855)
Change in estimate recognized in ERO asset		-		263,336
Amortization of ERO asset		-		(39,478)
Change in discount rate affecting ERO asset		-		(299,264)
Closing Balance, ERO Asset	$	**1,040,110**	$	1,040,110

The ERO asset pertains to resource properties where the Corporation has the legal and constructive obligation to complete decommissioning, reclamation, and restoration costs on the property as discussed in Note 17.

Other Costs

As at March 31, 2023 other costs within resource properties include $157,100 for miscellaneous lease costs and deposits on land (December 31, 2022: $157,100). Amortization of the lease costs in the three months ended March 31, 2023 was $nil (three months ended March 31, 2022: $2,780).

Note 12 – Intangible Assets

	Customer Relationships	Software	Total
Cost:			
December 31, 2022	$ 83,635	$ 59,812	$ 143,447
Additions	-	965	965
March 31, 2023	$ 83,635	$ 60,777	$ 144,412
Accumulated Depreciation:			
December 31, 2022	$ 83,635	$ 36,344	$ 119,979
March 31, 2023	$ 83,635	$ 36,344	$ 119,979
Net book value:			
December 31, 2021	$ -	$ 23,468	$ 23,468
March 31, 2023	$ -	$ 24,433	$ 24,433

Note 13 – Right-of-use Assets

	Calgary office lease asset	Xerox Photocopier lease asset	US Railcar lease (Note 4)	US CRL Transload lease	Total
Cost:					
December 31, 2022	$ 320,492	$ 15,116	$ 3,475,057	$ 6,951,464	$ 10,925,295
Foreign exchange movement	-	-	(2,486)	-	(2,486)
March 31, 2023	$ 320,492	$ 15,116	$ 3,472,571	$ 6,951,464	$ 10,922,809
Accumulated Depreciation:					
December 31, 2022	$ 4,265	$ 10,217	$ 413,727	$ 301,632	$ 893,007
Additions	19,325	-	-	337,651	362,433
Additions from Business Combination	-	-	123,870	-	123,870
Foreign exchange movement	-	-	108	-	108
March 31, 2023	$ 23,590	$ 10,217	$ 537,705	$ 639,283	$ 1,379,418
Net book value:					
December 31, 2022	$ 316,227	$ 4,899	$ 3,061,330	$ 6,649,832	$ 10,032,288
March 31, 2023	$ 296,902	$ 4,899	$ 2,934,866	$ 6,312,181	$ 9,543,391

These right-of-use assets are being depreciated over the expected life of each asset in accordance with the Corporation's accounting policies under the accounting standard, IFRS 16, which was adopted on January 1, 2019.

Note 14 – Bank and Other Loans

JMAC Loan

On February 28, 2023, the Corporation obtained a secured bridge loan of $2,000,000 (the "**Loan**") from JMAC Energy Services LLC ("JMAC"). The Corporation used the proceeds of the Loan to repay its existing term loan with Canadian Western Bank ("CWB Loan") and for general working capital purposes.

The Loan will bear interest at a rate of 12% per annum, provided that the interest rate will increase to 18% per annum if there is an event of default. The Loan will mature on June 30, 2023, but may be prepaid in full at any time following April 30, 2023. Additionally, the Loan will be secured by a first priority security interest over all of the assets of Athabasca and its Canadian subsidiaries following the discharge of the CWB Loan. JMAC is a related party to Athabasca, as JMAC is controlled by Jon McCreary who is a director of Athabasca, and, as such, the Loan is a "related party transaction" within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**").

The Loan was obtained on reasonable commercial terms that are not less advantageous to Athabasca than if the Loan was obtained from a person dealing at arm's length with Athabasca and Athabasca's board of directors (other than Mr. McCreary) have approved the Loan. The Loan and interest are not convertible, or repayable, directly or indirectly, in equity or voting securities of Athabasca or any of its subsidiaries or otherwise participating in nature.

CWB Bank Loan (CWB)

As at December 31, 2022 the Corporation has an outstanding balance owing of $193,735 and is not subject to any covenants as part of the credit facility. The loan is secured by a general security agreement on all Canadian assets and full liability guarantees from AMI RockChain Inc. and AMI Silica Inc.

Interest paid has been expensed as finance costs (See Note 23).

On February 28, 2023, the Corporation repaid the outstanding balance owing at that time of $146,849 using proceeds from the JMAC loan the Corporation obtained.

Canada Emergency Business Account ("CEBA") Loans

The CEBA loans are interest free and are to be repaid before December 31, 2023 and the Government of Canada will forgive 25% of the initial loan amount, and 50% of subsequent increases, if repaid on time.

AMI Silica LLC Financing

On September 15, 2022, AMI Silica LLC. entered into a debt financing facility for US$2,700,000 with a US lender. Under the terms of this financing, the facility is secured by eligible equipment owned by AMI Silica LLC and is not subject to any covenants. A payment of principal amount in the amount of US$56,373 was paid at closing and thereafter 35 equal consecutive monthly installments, beginning on the 1st of October and continuing on the same day of each month with the final payment on August 1, 2025 ("maturity date"). All amounts outstanding, including all accrued and unpaid interest and other amounts payable, shall be due and payable on the maturity date. The loan interest rate is based on US prime rate as reported in the Wall Street Journal plus a Margin of 4.25%.

Equipment Financing

In April 2022, AMI Silica LLC. purchased a piece of heavy of heavy equipment and entered into an equipment financing agreement for US$508,343 with a US equipment company. Under the terms of this financing, the facility is secured by the purchased equipment owned by AMI Silica LLC and is not subject to any covenants. The implicit interest rate is 8.25% and the term of agreement is 48 months with monthly payments of principal and interest in the amount of US$12,470 with the final payment on May 7, 2026 ("maturity date"). All amounts outstanding, including all accrued and unpaid interest and other amounts payable, shall be due and payable on the maturity date.

Note 14 – Bank and Other Loans - continued

The following table summarizes bank and other loans:

	Interest Rate	Monthly Payments	As at March 31, 2023	As at December 31, 2022
Canada Emergency Business Account (AMI RockChain)	0.00%	$ -	**$ 60,000**	$ 60,000
Canada Emergency Business Account (AMI Silica)	0.00%	$ -	**60,000**	60,000
Canada Emergency Business Account (TerraShift)	0.00%	$ -	**60,000**	60,000
Canada Emergency Business Account (2132561)	0.00%	$ -	**60,000**	60,000
Canada Emergency Business Account (2140534)	0.00%	$ -	**60,000**	60,000
JMAC Energy Services	12.00%	$ -	**2,000,000**	
AMI Silica LLC Financing	11.25%	$ 39,475	**1,640,616**	1,685,526
Equipment Financing	8.25%	$ 8,729	**287,786**	307,150
CWB Bank Loan Facility, due April 30, 2023	5.40%	$ 49,022	**-**	193,736
Total Bank and other loans			**$ 4,228,402**	$ 2,486,412
Current portion - principal due within one year			**(2,687,928)**	(872,834)
			$ 1,540,474	$ 3,851,578

Future minimum bank loan payments for the subsequent five years is as follows:

April 1, 2023 to March 31, 2023	$ 2,687,928
April 1 , 2024 to March 31, 2024	842,731
April 1, 2024 to March 31, 2025	1,171,402
April 1,2024 to March 31, 2026	37,956
April 1, 2027 to March 31, 2028	-
	4,740,017
Less: interest included in payments above	(511,615)
Bank loan principal outstanding, March 31, 2023	$ 4,228,402

Letters of Credit

As at March 31, 2023, the Corporation has outstanding letters of credit in the amounts of $854,430 (December 31, 2022: $854,430) in favour of the Government of Alberta. These letters of credit are issued by CWB and secured guaranteed investment certificates (note 8) and by Account Performance Service Guarantees.

Account Performance Service Guarantee

In July 2021 the Corporation entered into an Account Performance Service Guarantee (APSG) arrangement with Export Development Canada for a maximum aggregate liability of $1,000,000. The fee rate under the APSG is 0.2225% for financial types of obligations and 0.1692% for non-financial types of obligations.

The issued and outstanding letters of credit are as follows:

	As at March 31, 2023	As at December 31, 2022
Susan Lake pit	$ 228,540	$ 228,540
Poplar Creek Site, storage yard	180,000	180,000
Emerson pit	75,240	75,240
Coffey Lake reclamation	296,520	296,520
Coffey Lake industrial miscellaneous lease	74,130	74,130
Coffey Lake performance bond	100,000	100,000
	$ 954,430	$ 954,430

Coffey Lake Performance Bond

The Corporation has a $500,000 bonding facility through Trisura Guarantee Insurance Company ("Trisura") for a $500,000 bond with the Government of Alberta for the Coffey Lake performance bond. The $500,000 performance bond with Trisura carries a 2% annual interest rate. Security for the performance bond is based on the appraised value of private lands included in exploration costs and a $100,000 letter of credit to be held as security by Trisura. This $100,000 letter of credit is secured with a $100,000 guaranteed investment certificate (note 8).

Bonding Facility for Wisconsin Sand

As part of the acquisition of the operational U.S. sand mine and facilities in Hixton, Wisconsin (Note 4), AMI Silica LLC. arranged a bonding facility through Trisura Guarantee Insurance Company ("Trisura") for various bonds required to close the transaction. The bonds are subject to an annual rate of 2.5% and are secured by a first security charge over all of the land, plant and equipment of the sand mine and facilities (with the exception of the secured assets under the US $2.7 million loan in AMI Silica LLC). Bonds issued and outstanding under the facility total US$13,742,579 and are for reclamation, road use, railcar subleases and general performance.

Credit Card Facility

The Corporation has access to a corporate credit card facility, up to a maximum of $20,000 (December 31, 2022: $20,000). The Corporation has secured its corporate credit card facility with a guaranteed investment certificate of $20,000 (See Note 8).

Note 15 – Shareholders' Loans

On April 29, 2022, the Corporation borrowed $1,985,000 through shareholders' loans from a director, officers and senior management and two existing shareholders. The loans were for a period of twelve months, were unsecured, with interest of 12% per annum, payable monthly. In June 2022, $85,000 in loans were repaid. On December 31, 2022 the shareholders' loan agreements were amended with annual interest now 14%, payable monthly and the principal repayment terms extended until May 1, 2024. The loans are still unsecured and the principal balance is due on May 1, 2024. In January 2023, an existing shareholder loaned the Corporation an additional $500,000 under the amended terms.

The Joint Operations loan are funds advanced to AMI Silica LLC from AMI and JMAC. These loans are non-interest bearing, are unsecured and have no fixed terms of repayment.

	Interest Rate	As at March 31, 2023	December 31, 2022
Shareholders' Loan	14.00%	**2,400,000**	1,900,000
Joint Operations Loan	0.00%	**338,325**	338,000
Total Loans		**2,738,325**	2,238,000.00
Current portion - principal due within one year		**-**	-
		$ 2,738,325	$ 2,238,000

Future minimum Shareholder payments for the subsequent five years is as follows:

April 1, 2023 to March 31, 2023	$ -
April 1, 2024 to March 31, 2024	2,400,000
April 1, 2025 to March 31, 2025	-
April 31, 2026 to March 31, 2026	-
April 1, 2027 to March 31, 2027	-
Future Period	338,325
	2,738,325
Less: interest included in payments above	-
Total principal outstanding, March 31, 2023	$ 2,738,325

Note 16 – Lease Obligations

			As at	
			March 31, 2023	December 31, 2022
Finance Leases	**Interest Rate**	**Monthly/Quarterly* Instalments**		
VETS Group Ltd. Calgary Lease - New	14.00%	Variable	**298,555**	298,555
CN Railcar	9.75%	100,000	**2,933,580**	3,065,451
CRL Transload	11.25%	Variable	**6,677,215**	6,914,847
Xerox Photocopier Lease	3.68%	816 *	**4,127**	4,898
			9,913,477	10,283,751
Current portion - principal due within one year			**(1,641,376)**	(1,551,983)
			$ 8,272,102	$ 8,731,768

Future minimum lease payments for the subsequent five years is as follows:

April 1, 2023 to March 31, 2023	$ 2,625,427
April 1 2024 to March 31, 2024	$ 2,735,372
April 1 2025 to March 31, 2025	$ 2,612,554
April 1, 2026 to March 31, 2026	$ 2,527,818
April 1, 2027 to March 31, 2027	$ 2,059,959
	12,561,130
April1, 2028 to March 31, 2029 (Beyond 5 years)	$ 237,110
Less: interest included in payments above	2,884,763
Lease obligations principal outstanding,March 31, 2023	$ 9,913,477

Note 17 – Environmental Reclamation Obligations ("ERO")

The following is a reconciliation of the environmental rehabilitation obligations of the Corporation:

		As at	
		March 31, 2023	December 31, 2022
Opening balance, ERO		**6,383,971**	$ 2,795,712
Assumption of Environmental Rehabilitation Obligations	4	**-**	4,208,318
Foreign exchange amount		**(3,153)**	281,791
Change in estimate recognized in ERO asset		**-**	263,336
Change in discount rate recognized in ERO asset		**-**	(299,264)
Change in discount rate recognized in other operating expenses		**-**	(392,903)
Accretion expense		**60,663**	118,709
Spending on reclamation activities		**-**	(591,728)
Amortization allocated to reclamation spending		**-**	-
Closing Balance, ERO		**6,441,481**	6,383,971
Less: Current portion, EROs to be funded within one year		**(606,327)**	(609,480)
Closing Balance, ERO		**$ 5,835,154**	$ 5,774,491

Provisions for EROs are recognized for mining activities at the Corporate owned pits and managed public pits. The Corporation assesses its provision for EROs on an annual basis or when new material information becomes available. The estimated undiscounted ERO Corporate owned pits and managed public pits as at March 31, 2023 is $7,386,129 (December 31, 2022: $7,386,129). Total reclamation funded during the three months ended March 31, 2023 was $nil (three months ended March 31, 2022: $nil).

Note 17 – Environmental Reclamation Obligations (“ERO”) - continued

The discount rates used by the Corporation for its owned and managed pits are based on the Government of Canada bond yields for periods comparable to the expected timing of reclamation activities at each site. These rates ranged from 3.58% to 3.29% as at March 31, 2023 (December 31, 2022: 3.58% to 3.29%) depending on the expected timing of reclamation activities. Discount rates and inflation rates both increased in 2023 as compared to 2023. It is expected that reclamation activities for the owned and managed pits and stockpile sites, as well as Susan Lake, will occur between 2022 and 2036 considering the projected production schedules, the timing of reclamation activities included in the respective Conservation and Reclamation Business Plans, as well as the timing of expiration of the related surface materials lease for each property.

Accretion expense is the expense calculated when updating the present value of the ERO provision. This expense increases the liability based on estimated timing of reclamation activities and the discount rate used in the ERO calculations. The accretion expense amounts are included in other operating expenses on the statement of loss and comprehensive loss and are summarized in the respective table in Note 23.

As a result of the Business combination (Note 4), a provision was made for an environmental rehabilitation obligation relative to the joint operations of the sand mine. The estimated undiscounted ERO as at March 31, 2023 was $nil (December 31, 2022: $nil). Total reclamation funded during the three months ended March 31, 2023 was $nil (three months ended March 31, 2022: $nil). The discount rates used by the Corporation are an estimate of AMI Silica LLC’s credit adjusted risk free rate at the date of acquisition and then the estimate adjusted for a year end date. The sand mine uses a progressive reclamation process whereas the area is mined and the reclamation occurs as part of the mining activities. The current delineated mine site is estimated to be mineable and reclaimed from 2023 to 2028.

Note 18 – Share Capital

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

	Three months ended March 31, 2023		Year ended December 31, 2022	
	Number of Shares	Amount	Number of Shares	Amount
Authorized:				
An unlimited number of:				
Common voting shares with no par value				
Preferred shares, issuable in series				
Issued and outstanding, beginning of period	**78,582,686**	**$ 23,509,890**	76,964,088	$ 22,971,793
Issuance of common share units in private placement	-	-	100,000	32,990
Shares issued to contractors/consultants/employees	-	-	158,898	75,000
Common share issuance costs	-	-	-	-
Stock options exercised	-	-	1,359,700	430,107
Issued and outstanding, end of period	**78,582,686**	**$ 23,509,890**	78,582,686	$ 23,509,890

Stock options

The Corporation has issued options to Directors, Officers, employees, and consultants of the Corporation as incentives.

The fair value of the options granted was estimated on the dates of the grant using the Black-Scholes Option Pricing Model.

Note 18 – Share Capital – continued

The fair values of the options granted in the last two years were estimated using the following assumptions:

Grant Date	# of Options	Exercise Price	Dividend Yield	Expected Volatility	Risk Free Rate of Return	Expected Life	Weighted Average Fair Value on Grant Date	Forfeiture Rate
September 26, 2022	75,000	$ 0.19	Nil	87.9%	3.47%	5 years	$ 0.13	20.7%
September 26, 2022	25,000	$ 0.24	Nil	87.9%	3.47%	5 years	$ 0.12	20.7%
June 21, 2022	225,000	$ 0.39	Nil	95.9%	3.37%	5 years	$ 0.29	17.5%
May 25, 2022	474,000	$ 0.32	Nil	82.5%	2.58%	5 years	$ 0.21	16.9%
April 26, 2022	725,300	$ 0.35	Nil	93.2%	2.58%	5 years	$ 0.25	17.1%
December 14, 2021	300,000	$ 0.28	Nil	92.9%	1.29%	5 years	$ 0.20	17.9%
November 23, 2021	1,506,000	$ 0.21	Nil	92.7%	1.57%	5 years	$ 0.15	18.1%
April 21, 2021	632,400	$ 0.24	Nil	83.4%	0.94%	5 years	$ 0.16	18.8%

The expected volatility was determined using historical trading data for the Corporation for a period commensurate with the expected life of the options.

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

	Three months ended March 31, 2023		Year ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period:	**3,721,600**	**$ 0.28**	5,822,200	$ 0.24
Issued	-	-	1,524,300	0.34
Exercised	-	-	(1,359,700)	0.19
Expired or cancelled	**(100,200)**	**0.24**	(2,265,200)	0.28
Options outstanding, end of period:	**3,621,400**	**$ 0.28**	3,721,600	$ 0.28

Of the 3,621,400 (December 31, 2022: 3,721,600) outstanding stock options, 2,648,533 (December 31, 2022: 2,705,400) options have vested and therefore, were exercisable as at March 31, 2023 at a weighted average exercise price of $0.28 per share (December 31, 2022: $0.28 per share).

During the three months ended March 31, 2023, no options were exercised. For the three months ended March 31, 2022, 81,000 options were exercised at an average exercise price of $0.24 per share for total proceeds of $30,677 with an average share price on the days they were exercised of $0.34 per share.

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. The outstanding stock option grants were issued with an exercisable period of five years from the date of grant. Options under the stock option plan are not transferable or assignable.

Pursuant to the stock option plan, options must be exercised within thirty days 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 18 – Share Capital - continued

The Corporation's outstanding stock options are as follows:

		As at	
		March 31, 2023	December 31, 2022
Expiry Date	Exercise Price		
June 4, 2023	0.17	**150,000**	150,000
January 9, 2024	0.28	**140,000**	140,000
May 22, 2024	0.57	**135,000**	135,000
June 24, 2024	0.65	**120,000**	120,000
August 20, 2024	0.64	**30,000**	30,000
April 16, 2025	0.17	**82,500**	91,500
November 25, 2025	0.14	**241,800**	254,400
April 21, 2026	0.24	**301,800**	314,400
November 23, 2026	0.21	**870,000**	900,000
December 14, 2026	0.28	**300,000**	300,000
April 26, 2027	0.35	**400,300**	400,300
May 25, 2027	0.32	**369,000**	369,000
September 26, 2027	0.24	**25,000**	25,000
September 26, 2027	0.19	**75,000**	75,000
		3,621,400	3,721,600

The weighted average remaining contractual life of the options outstanding is 2.95 years (December 31, 2022: 3.19 years).

Restricted Share Unit ("RSUs") and Deferred Share Units ("DSUs")

On April 4, 2019, the Corporation adopted Restricted Share Unit ("RSU") and Deferred Share Unit ("DSU") plans. No RSUs have been granted yet.

	Three months ended March 31, 2023				Year ended December 31, 2022			
	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value
Outstanding, beginning of period:	**685,000**	**$ 0.26**	**-**	**$ -**	1,227,000	$ 0.22	-	$ -
Issued	**-**	**-**	**-**	**-**	100,000	0.32	-	-
Expired or cancelled	**(45,000)**	**0.30**	**-**	**-**	(642,000)	0.43	-	-
Outstanding, end of period:	**640,000**	**$ 0.23**	**-**	**$ -**	685,000	$ 0.26	-	$ -

During the three months ended March 31, 2023 no DSUs were granted to Directors, Officers, and employees of the Corporation (three months ended March 2021: nil). DSUs vest one-third on the first, second, and third (annual) anniversary of the date of grant based on continued tenure of the participant.

Of the 640,000 (December 31, 2022: 685,000) outstanding DSUs, 505,000 (December 31, 2022: 547,000) DSUs have vested.

The fair value of the DSU liability of $145,566 (December 31, 2022: $151,183), which is based on the closing price of the Corporation's shares on the TSX Venture Exchange as of March 31, 2023 and an expected forfeiture rate of 19.04%, is included in accounts payable and accrued liabilities in the consolidated statements of financial position. Any change to the fair value of the liability is included in share-based compensation expense in the consolidated statements of loss and comprehensive loss.

The vested DSUs are redeemable by the participant following resignation, retirement, or death. The fair value of the DSUs redeemed is equal to the market price of the Corporation's shares and are payable in the form of cash, less applicable withholding taxes.

Note 18 – Share Capital - continued

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. The ESP, RSU and DSU plans provides for a defined maximum limit each of 2% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange.

Share-based compensation expense is comprised of the following:

	Three months ended March 31, 2023		2022	
Stock options	$	36,700	$	52,140
Deferred share units		(5,617)		13,375
Share-based compensation expense	$	31,083	$	65,515

Share-based compensation expense in the consolidated statements of income (loss) and comprehensive income (loss) for the three months ended March 31, 2023 includes ($6,463) Directors, $18,749 to Officers , and $18,797 to Employees or Contractors (three months ended March 31, 2022: $17,456 to Directors, $60,050 to Officers, and ($11,991) to employees).

Net Income (Loss) and Diluted Income (Loss) Per Common Share

The treasury stock method is used to calculate diluted income (loss) per share, and under this method options that are anti-dilutive are excluded from the calculation of diluted income (loss) per share. The following tables shows the total income and comprehensive income per common share, diluted for the three months ended March 31, 2023 and 2022:

	Three months ended March 31, 2023		2022	
Basic total comprehensive income (loss) per share				
Total comprehensive income (loss)		(2,629,898)	$	22,286,022
Weighted average number of common shares outstanding		78,582,686		77,122,210
Total comprehensive income (loss) per common share, basic	$	(0.033)	$	0.289
Diluted total comprehensive income (loss) per share				
Total comprehensive income (loss)		(2,629,898)	$	22,286,022
Weighted average number of common shares outstanding		78,582,686		77,122,210
Effect of dilutive stock options		-		1,415,496
Weighted average number of common shares outstanding after dilution		78,582,686		78,537,706
Total comprehensive income (loss) per common share, diluted	$	(0.033)	$	0.284

Note 19 – Related Party Transactions

The Corporation's related parties include three independent Directors, the Chief Executive Officer, the Chief Financial Officer, AMI RockChain Inc., AMI Aggregates Inc., AMI Silica Inc., TerraShift Engineering Ltd., AMI Silica LLC, the numbered Alberta corporation that owns the Montney In-Basin Project, and the numbered Alberta corporation that owns the Prosvita Sand Project.

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.

The remuneration earned by the Directors was as follows:

	Three months ended March 31,			
		2023		2022
Directors:				
Directors fees	$	**30,000**	$	42,000
Share-based compensation	$	**(6,463)**		17,456
	$	**23,537**	$	59,456

The Directors fees are paid on a quarterly basis.

On April 29, 2022, the Corporation entered into shareholder loan agreements for funds totaling $1,985,000 and an additional $500,000 in January 2023. (Note 15)

During the three months ended March 31, 2023, AMI provided management services to AMI Silica LLC for $86,786 (three months ended March 31, 2022-$27,088). During the three months ended March 31, 2023, JMAC provided accounting services to AMI Silica LLC for $86,786 (three months ended March 31, 2022-$27,088).

During the three months ended March 31, 2023, JMAC provided factoring services to AMI Silica LLC for working capital purposes. Interest and fees totaling USD $281,173 were paid for these services (three months ended March 31, 2022-$nil).

Note 20 – Compensation of Key Management

The remuneration paid to named Officers were as follows:

	Three months ended			
		March 31, 2023		March 31, 2022
Salaries and other benefits	$	**126,182**	$	163,247
Share-based compensation		**18,749**		60,050
	$	**144,931**	$	223,297

Note 21 – Financial Instruments

Classification

The Corporation's financial instruments consist of the following:

Financial statement item	Classification
Cash	Amortized cost
Trade and other receivables	Amortized cost
Long-term deposits	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Shareholders' loans	Amortized cost
Bank and other loans	Amortized cost
Deferred share unit liability (included in Accounts payable and accrued liabilities)	Fair value through profit and loss

Fair Value

Due to the short-term nature of cash, trade and other receivables, as well as accounts payable and accrued liabilities, and the carrying value of these financial instruments approximate their fair value.

The fair value of restricted cash approximates the carrying values as they are at the market rate of interest. Long-term deposits are refundable. The fair values of the long-term deposits are not materially different from their carrying value.

The fair value of bank loans approximates their carrying value as they are at market rates of interest.

The deferred share unit liability is the only financial instrument measured at fair value on a recurring basis. The deferred share unit liability is a Level 2 fair value hierarchy measurement. There were no transfers between Level 1, 2, or 3 of the fair value hierarchy for the three months ended March 31, 2023 (December 31,2022: none).

Credit Risk

Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash, restricted cash, trade and other receivables, and long-term deposits. The Corporation's maximum credit risk at March 31, 2023 is the carrying value of these financial assets.

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 thus minimizing their credit risk.

On an ongoing basis, the Corporation monitors the financial condition of its customers with all information available. The Corporation reviews the credit worthiness of all new customers and sets credit limits accordingly in order to minimize the Corporation's exposure to credit losses. The Corporation requires any customers deemed to be high-risk to prepay for aggregate prior to taking delivery.

The aging summary for trade and other receivables is as follows:

	Current	30-60 days	60-90 days	> 90 days	Total
As at March 31, 2023	$ 4,624,626	$ 2,330,827	$ 93,404	$ 20,431	$ 7,069,288
As at December 31, 2022	$ 4,774,045	$ 46,373	$ 150,364	$ 131,828	$ 5,102,610

Five customers owing greater than 10% of the accounts receivable total balance accounted for 74% of the Corporation's accounts receivable as at March 31, 2023 (December 31, 2022: five customers accounted for 74%).

Note 21 – Financial Instruments - continued

Liquidity Risk Update

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through budgeting and forecasting cash flows to ensure it has enough cash to meet its short-term requirements for operations, business development and other contractual obligations.

As at March 31, 2023, the Corporation has insufficient working capital to fund ongoing operations and meet its liabilities when they come due. Accordingly, the Corporation is exposed to significant liquidity risk (see note 1). The Corporation's financial liabilities include accounts payable and accrued liabilities, income taxes payable, and the bank and other loans and lease obligations, including interest.

The expected remaining contractual maturities of the Corporation's financial liabilities, including interest where applicable, are shown in the following table:

	As at March 31, 2023			
	0 - 1 year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 12,394,335	$ -	$ -	$ 12,394,335
Income taxes payable	589,636	-	-	589,636
Bank loans, including interest	2,687,928	842,731	1,209,358	4,740,017
Shareholders' loans	-	2,400,000	338,325	2,738,325
Lease obligations, including interest	2,625,427	5,347,926	4,587,777	12,561,130
Total	**$ 18,297,326**	**$ 8,590,657**	**$ 6,135,460**	**$ 33,023,443**

Transferred financial assets that are not derecognized in their entirety is as follows:

Silica LLC Receivables	Financial assets at Amortised cost March 31, 2023		December 31, 2022	
Carrying amount of assets	$ -		$ -	
Carrying amount of associated receivables	-		-	
	-		-	
For those liabilities that recourse only to the transferred assets				
	$ -		$ -	
Fair value of assets	6,108,388	-	4,135,676	
Fair value of liabilities	(5,656,784)	-	(2,632,774)	
Net position	451,604	-	1,502,902	
Total	**$ 451,604**	**$ -**	**$ 3,005,804**	**$ -**

The AMI Silica LLC general trade receivables have been factored by a related party (note 19). AMI Silica LLC has an obligation to pay the counterparty irrespective of any credit loss. The true contractual rights to the trade receivables have been maintained by AMI Silica LLC, but there is a contractual obligation to pay the obligation. There is also a restriction against any further collateralization of the trade receivables.

Note 22 – Capital Disclosures

The Corporation's objective when managing its capital structure is to maintain a strong financial position and to provide returns with sufficient liquidity to undertake further growth for the benefit of its shareholders. The Corporation's capital is comprised of long-term obligations and equity as outlined below:

		As at	
	Notes	March 31, 2023	December 31,2022
Total equity attributable to shareholders		$ 26,787,121	$ 29,380,319
Total borrowings			
Shareholder loans	15	2,738,325	2,238,600
Bank and other loans	14	4,228,355	2,486,412
Lease obligations	16	9,913,478	10,284
Cash		(1,024,083)	(800,265)
Total managed capital		$ 42,643,196	$ 33,315,350

Note 23 – Supplemental Statement of Income (Loss) and Comprehensive Income (Loss) Disclosures

A large portion of the Corporation's aggregate sales and aggregate management services revenue typically come from a small group of major customers. Any customer who represents more than 10% of the Corporation's revenue for the respective period is considered a major customer. During the three months ended March 31, 2023, 94% of sales were made to five major customers (three months ended March 31, 2022: 77% to four customers).

Finance costs are comprised of the following:

		Three months ended March 31,	
	Notes	2023	2022
Interest on bank loans	14	(120,585)	(9,445)
Interest on lease obligations	16	(264,566)	(101)
		$ (385,151)	$ (9,546)

Total lease payments, including principal and interest, for the three months ended March 31, 2023 was $546,522 (three months ended March 31, 2022: $9,816). See Note 16 for additional information.

Total payments on the CWB loan (note 14), including interest, for the three months ended March 31, 2023 was $193,736 (three months ended March 31, 2022: $147,066). See Note 14 for additional information.

Total payments on the Northview loan, including interest, for the three months ended March 31, 2023 was $119,877 (three months ended March 31, 2022: $nil). See Note 14 for additional information.

Total payments on the CAT loader loan, including interest, for the three months ended March 31, 2023 was $37,099 (three months ended March 31, 2022: $nil). See Note 14 for additional information.

Note 23 – Supplemental Statement of Income (Loss) and Comprehensive Income (Loss) Disclosures - continued

Other operating income (expenses) are comprised of the following:

		Three months ended	
	Notes	March 31, 2023	March 31, 2022
Amortization of contract costs	9	-	(8,089)
Amortization of ERO assets	11	-	(8,620)
Amortization of resource property lease costs	11	-	(2,780)
Change in discount rate recognized in other operating expenses	17	-	12,888
Accretion of ERO liability	17	(63,373)	(17,132)
		$ (63,373)	$ (23,733)

Other non-operating income is comprised of the following:

	Three months ended	
	March 31, 2023	March 31, 2022
Camp rental income	15,000	15,000
Other	1,430	857
Foreign exchange loss (gain)	22	-
	$ 16,452	$ 15,857

The following table shows the total employee benefit expenses for the period:

	Three months ended	
	March 31, 2023	March 31, 2022
Employee benefit expenses	$ 772,763	$ 960,323

Employee benefit expenses include wages, salaries, bonuses, and group benefit premiums, as well as Canada Pension Plan, Employment Insurance and Workers' Compensation Board contributions. Employee benefit expenses are included in both operating costs and general and administrative expenses in the consolidated statements of loss and comprehensive loss.

Note 24 – Segmented Reporting

Reportable segments are determined based on the corporate structure and operations in accordance with the Corporation's accounting policies. Specifically, an operating segment should have separate financial information available, with management review of financial information. The operating segment should engage in business activities where it earns revenue and incurs expenses. While a reporting segment should have revenue which is 10% or more of combined revenue; assets which are 10% or more of combined assets; and an absolute amount of reporting profit or loss that is 10% or more or reported profit of all operating segments. Using this guidance, the Corporation has reported the Terrashift operations as a separate segment. As of August 24, 2022 the Corporation began to phase out the operations of TerraShift as part of the Corporation's staged plan to create a sustainable and resilient business model. This reorganization and simplification of operations also contributes to a reduction in personnel and overhead. TerraMaps and other assets will be maintained to continue to be of benefit to other AMI divisions. The US geographic segment is also represented by AMI Silica as all US operations are conducted through this business.

Note 24 – Segmented Reporting – continued

Gross loss includes adjustments for general and administrative expenses, share based compensation, other operating expenses, finance costs, non-operating income, interest income, and income taxes in order to arrive at total loss and comprehensive loss, of which most of these expenses are incurred by the AMI Aggregates or Corporate segments. Gross loss is therefore a better basis for measuring the performance of the Corporation.

The "Corporate & Eliminations" segment represents services provided by RockChain and TerraShift to other segments and is disclosed for reconciliation purposes only. The numbered Alberta corporations that respectively own the Montney In-Basin Project and the Prosvita Sand Project are included in the AMI Silica segment.

The summary of key financial information by reportable segment for the three months ended March 31, 2023 (along with comparative information for the three months ended March 31, 2022) is as follows:

	AMI Aggregates		AMI RockChain		AMI Silica		TerraShift		Corporate & Eliminations		Consolidated	
For three months ended March 31	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Revenue:												
Product sales revenue	$ 2,945	$ 3,477,786	$ -	$ 1,974,463	$ 12,309,721	$ 3,062,463	$ 23,580	$ -	$ -	$ (2,608,952)	$ 12,336,246	$ 5,905,760
Services revenue	541,975	903,564	191,489	138,448	-	-	12,451	283,775	(85,722)	(186,940)	660,194	1,138,847
Gross revenue, including royalties	544,920	4,381,350	191,489	2,112,911	12,309,721	3,062,463	36,031	283,775	(85,722)	(2,795,892)	12,996,440	7,044,607
Revenue, net of royalties	467,221	4,321,189	191,489	2,112,911	12,309,721	3,062,463	36,031	283,775	(85,722)	(2,795,892)	12,918,741	6,984,446
Gross profit (loss)	$ 21,385	541,608	$ 24,580	71,851	$ (195,594)	388,234	$ 34,999	184,404	$ (85,722)	(3,472)	$ (200,351)	$ 1,182,625

As at	**March 31, 2023**	**December 31, 2022**	**March 31, 2023**	**December 31, 2022**	**March 31, 2023**	**December 31,2022**	**March 31,2023**	**December 31, 2022**	**March 31, 2023**	**December 31, 2022**	**March 31, 2023**	**December 31, 2022**
Segment assets	$ 49,143,854	$ 47,727,497	$ (2,123,368)	$ (717,354)	$ 55,633,694	$ 53,794,568	$ 448,040	$ 425,440	$ (31,673,707)	$ (31,851,072)	$ 71,428,513	$ 69,379,079
Segment liabilities	$ 8,232,525	$ 5,663,667	$ 476,978	$ 1,703,823	$ 36,219,166	$ 33,507,575	$ 51,047	$ 78,512	$ (338,325)	$ (954,818)	$ 44,641,391	$ 39,998,759

Product sales revenue includes the sale of tangible items such as gravel and sand. Services revenue includes such items as the Coffey Lake pit management contract, transportation services provided in delivering gravel and sand to customers, the confidential pit management contract, fees for engineering services, and subscription revenues.

Note 25 – Subsequent Event

On April 5, 2023, AMI Silica LLC ("AMIS") signed a multi-year transload agreement (the "Transload Agreement") for the delivery of its silica sand into the Grande Prairie, Alberta region. In addition, AMIS signed an eighteen-month Sand Supply Agreement (the "Sand Agreement") with a commitment to provide various product specifications to a leading North American oilfield services firm. The Sand Agreement provides a minimum commitment of 20,000 tons per month of 40/70 frac sand with the option for the customer to purchase additional volumes. The total minimum commitment for the Sand Agreement is 360,000 tons, subject to pricing adjustments. This agreement has a two-year term with the option to extend, by mutual agreement, for up to two additional terms of twelve months.