



## Athabasca Minerals Announces Q1 2020 Financial Results

**May 22, 2020 EDMONTON, ALBERTA.** Athabasca Minerals Inc. ("AMI" or the "Corporation") (TSXV:AMI) announces its financial results for the first quarter ended March 31, 2020. The Corporation's financial statements and management's discussion and analysis ("MD&A") are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Athabasca Minerals Inc. website at [www.athabascaminerals.com](http://www.athabascaminerals.com).

Robert Beekhuizen, Chief Executive Officer, states: "In 2020, we continue to advance our corporate strategies with steady progress in transforming, diversifying, and creating value across the Corporation's businesses. Our base division, AMI Aggregates, has been strengthened with the Coffey Lake Pit opening ahead of schedule and from early revenue generation in Q1-2020. It has also expanded geographically with its 50% joint-venture interest in the Buckhorn Quarry Project located 90 minutes from the Greater Toronto Area, where regulatory and permitting processes are underway. AMI RockChain continues to experience ongoing and growing demand based on a large number of project bids in Q1-2020 where the *RockChain*<sup>™</sup> platform and associated algorithm are being used extensively to optimize supply and delivery of aggregates. We also continue to make good progress with AMI Silica's Duvernay Silica Sand Project. We continue to collaborate with our pending partner to update front-end engineering and development (FEED) in relation to project requirements, synergies and joint interest."

"In the midst of the COVID-19 pandemic and resulting economic downturn, AMI has responded with 'safety-first' mindset and protocols. We have also proactively adapted to and adjusted for fluctuations in business rhythm in the construction and energy markets with a series of measures proactively taken to reduce and optimize payroll by approximately 30% at all levels of the company, including the Board of Directors. We are focused on preserving our cash position throughout 2020 to sustain progress in advancing our strategic initiatives and corporate objectives."

### Q1 2020 HIGHLIGHTS

#### Business Highlights

Athabasca Minerals reports the following key highlights in Q1 2020:

- The Corporation was awarded a 15-year contract with a 10-year renewal option in Q1 2019 to operate and manage the Coffey Lake Public Pit located approximately 90 km north of Fort McMurray. Effective January 13, 2020, the Province of Alberta issued the Corporation a disposition for the Coffey Lake Pit and a Surface Mineral Lease that allows for the extraction of sand and gravel. This authorization enabled the Corporation, as the pit management contractor on behalf of the Province of Alberta, to commence activities to commence aggregate operations at Coffey Lake to the public;
- On January 28, 2020, the Corporation entered into a loan arrangement with Canadian Western Bank ("CWB") whereby \$1.5 million was advanced to the Corporation by CWB for the development of the Coffey Lake Pit;
- On March 18, 2020, Alberta Environment & Parks granted the Corporation a disposition for a commercial lease for stockpiling and crushing aggregates on 74 acres (30 hectares) of land strategically located 7 km from the Coffey Lake Public Pit in the vicinity of oilsands operations. The True North Staging Hub adds further value with supplementary services for aggregate crushing, processing and inventory management;
- On March 21, 2020, the Coffey Lake Pit began generating sales and revenue for the base division (AMI Aggregates) ahead of schedule. In the first three weeks of operations, loading activity at Coffey Lake was robust with its first order being executed for approximately \$560,000. This order had been committed to prior to the onset of COVID-19;

- On February 3, 2020, AMI Silica Inc and Shell Canada (“Shell”) ratified a Master Purchase Contract to purchase Premium Domestic sand from AMI’s Duvernay Basin Silica Project effective July 1, 2021. Under terms of the contract, there is a minimum sales volume at predetermined prices, with an optional maximum annual volume that books a significant portion of the Duvernay Project production capacity. The contract has a five-year term from the effective delivery date, and gives Shell the right to extend for an additional two 12-month terms thereafter, with the option to procure sand from AMI’s future Montney In-Basin Silica Project as well;
- A strategic joint-venture (JV) was established with MGT Management Inc. to develop the Buckhorn limestone quarry on 300 acres (121 hectares) of land in Ontario, approximately 90 minutes from the Greater Toronto Area. The JV expands the Corporation’s business interests to access one of the largest aggregate consumption markets in the country;
- The Corporation’s subsidiary Aggregates Marketing Inc rebranded to AMI RockChain Inc. in February 2020. This rebranding included a new website with improved functionality: [www.amirockchain.com](http://www.amirockchain.com);
- AMI RockChain surpassed a \$1 million order-size milestone on a rail transload project for a large industrial customer with operations in central Alberta. The project was executed over 5 months and was completed in March 2020. Over 15,000 tonnes of specialized rail ballast product were delivered with AMI’s participating network of suppliers, and transportation companies who were integral to the optimized RockChain™ solution;
- AMI Silica forwent exercising the buy-out options at pre-determined valuations of \$8 million each for the remaining 50.8% and 50.4% of the Montney and the Duvernay premium domestic in-basin sand projects respectively, due to market conditions and competitive pricing considerations; and
- In spite of COVID-19, AMI RockChain is engaged in a large number of bids, which are regularly tracked and accumulated on [www.amirockchain.com](http://www.amirockchain.com). In Q1 2020, the subsidiary surpassed 100 bids representing a combined potential supply of up to 1.1 million tonnes serving 50 companies. The RockChain™ digital platform with its Operational Excellence program, its ‘Asset-Lite’ business model, and Health & Safety protocols have proven uniquely well-suited for today’s business environment. Customer orders for aggregates are easily placed remotely for jobs across Western Canada and executed with quality assurance while minimizing Health & Safety risk exposure.

### **Fiscal Management & Reporting**

- AMI remains focused on preserving its cash position. In Q1 2020 there were initial payroll reductions resulting in approximately a 10% cost improvement compared to the previous Quarter. With the onset of COVID-19, in Q2 2020 a second round of payroll reductions and optimizations at all levels of the company are being implemented, up to and including the Board of Directors. The cumulative payroll cost improvements year-to-date are now approximately 30%. Monitoring and optimization opportunities will continue to receive ongoing scrutiny and attention relative to macro-economic factors from COVID-19 and the Corporation’s business activity levels.
- Additionally, AMI continues to pursue strategic partnering and joint-venture relationships that will advance its industrial minerals growth strategies, diversify its revenue generation, and increase options for access to lower-cost capital funding; and
- The Corporation implemented new health and safety policies and protocols in response to the COVID-19 pandemic. The Corporation’s business continuity plan incorporates government recommended practices with consideration of the health and safety of its employees, field operations, and customers. The Corporation and its subsidiaries have been able to safely continue operations.

### **Subsequent Events**

- In April, 2020, AMI Silica, together with a pending industrial partner, issued a competitive tender to five pre-qualified contractors in Canada and the United States to update Front-End Engineering & Development (FEED) for its Duvernay Basin Silica Project, with the option to convert to EPC (Engineer, Procure, Construct) thereafter when the project is fully financially sanctioned and permits are received. AMI Silica aims at developing what it, and its bidders also regard as the ‘greenest’ silica sand processing facility in North

America, based on unique synergies, for a target price under \$40 million for Phase-1 development. Sand products and by-products will be serving customer demand in the energy, construction materials and environmental remediation sectors;

- The Corporation appointed J. Robert Logan, MBA, ICD.D as Advisor to AMI's Board of Directors with regard to the Corporation's strategic business interests in 2020 and capital markets;
- Buckhorn engaged in permitting to be in production in 2H 2021 (pending regulatory review);
- The Corporation has undertaken several financial initiatives in response to the COVID-19 pandemic:
  - On April 16, 2020, Athabasca secured a \$40,000 loan for AMI Silica, and another \$40,000 loan for AMI RockChain through the Canadian Emergency Business Account (CEBA) program to support the businesses through the COVID-19 pandemic. Both loans are interest free and require no principal payments until December 2022;
  - AMI applied for the Canadian Emergency Wage Subsidy (CEWS) program to support the businesses through the COVID-19 pandemic. AMI received the first monthly subsidy of \$44,044 on May 11, 2020;
  - Principal repayment of the \$1,500,000 bank loan purposed for Coffey Lake Public Pit and the True North Staging Hub construction was deferred three months with interest-only payment terms, from May to July 2020; and
- On May 7, 2020, Athabasca announced that it postponed its 2020 Annual General Meeting until a later date due to the impact and constraints associated with COVID-19 in terms of social gatherings and travel. The Corporation is addressing venue and timing options in relation to the government's phased re-opening and restriction relaxation program. The possibility of holding a virtual AGM is also being considered as an alternative.

## FINANCIAL HIGHLIGHTS

(\$ thousands of CDN, unless otherwise noted)	Three Months Ended Mar 31	
	2020	2019
Aggregate sales revenue	<b>\$489</b>	0
Management services revenue	<b>271</b>	434
Revenue	<b>760</b>	434
Gross (loss) profit	<b>41</b>	(136)
Total loss and comprehensive loss	<b>(816)</b>	(1,055)
Cash position	<b>1,736</b>	5,276
Net cash generated (used) in the period	<b>(259)</b>	198
Loss per share (\$ per share)		
Basic	<b>(.018)</b>	(.026)
Fully diluted	<b>(.018)</b>	(.026)

- Revenue during Q1 2020 was \$0.8 million compared to \$0.4 million in Q1 2019, due aggregate sales from AMI RockChain of \$0.5 mm, offset by decrease in management services revenue from AMI Aggregates division (\$0.3 million in Q1 2020 versus \$0.4 million in Q1 2019). The decrease in Q1 2020 management services revenues was due to the Coffey Lake Pit starting its operations in late March of 2020 as compared to aggregates being sold from a fully operational Susan Lake Pit during Q1 of 2019.
- Gross profit (loss) of \$nil in Q1 2020 compared to a gross loss of \$0.1 million in Q1 2019. The \$0.1 decrease in gross (loss), due to higher revenues but also slightly higher operating costs in Q1 2020 versus Q1 2019. The increase in operating costs was partially offset by lower Q1 2020 operating costs for Coffey Lake with the pit's operations only just beginning at the end of Q1 2020, while in Q1 2019 Susan Lake pit operations were fully

operational for the entire quarter.

- Total loss and comprehensive loss for the three months ended March 31, 2020 of \$0.8 million, \$0.018 per share basic and diluted in Q1 2020, compared to a total comprehensive loss of \$1.1 million, \$0.026 per share basic and diluted, for Q1 2019.
- Net working capital of \$1.9 million as at March 31, 2020 (December 31, 2019: \$2.8 million) which in management's opinion is sufficient to fund ongoing operations. The decrease in Q1 working capital was predominately due to recording the current portion of bank financing secured in Q1 2020 which amounted to \$0.3 million, an increase of \$0.3 million in accounts payable and a decrease in accounts receivable of \$0.3 million.

## OUTLOOK

In 2020, the Corporation is positioning for growth across each of its three divisions: AMI Aggregates, AMI Silica, and AMI RockChain.

### AMI Aggregates

The base division will generate revenues from commercial operations and production at the Coffey Lake Public Pit, as well as its True North Staging Hub; both located in the high-demand region of oilsands industrial region.

Royalty agreements remain in place to earn revenues from strategic partners interested in harvesting aggregates from several AMI corporate pits.

AMI is also pursuing pit management services and leveraging its expertise to support First Nation partners, government and/or municipality resources or existing operations.

A strategic joint venture ("JV") relationship has been established for the development of the Buckhorn Quarry in Ontario, approximately 90 minutes from the Greater Toronto Area ("GTA"). The Project JV is currently engaged in the regulatory and permitting process with the goal to be in production in 2H 2021 subject to approval timing. AMI intends to pursue a similar JV approach for the development of the Corporation's Richardson Quarry Project north of Fort McMurray over the next 2 years and is engaged in ongoing discussions with potentially interested parties.

The Corporation currently has listed non-core gravel assets for disposition in order to enhance its cash position.

### AMI RockChain

AMI RockChain is 'a midstreamer of aggregates, enabled by technology'. The subsidiary is uniquely focused on enhanced price/delivery solutions in mapping customer orders to aggregates suppliers and transportation companies using technology for greater speed and efficiency. AMI RockChain purchases and takes custody of aggregates using its 'Solution Finder' algorithm in conjunction with its *RockChain*<sup>TM</sup> digital platform. This gives AMI RockChain distinctive advantages in the scope of its outreach, its ability to handle a large volume of bids, and in the turnaround time for networking optimal solutions for customers requiring aggregates. AMI RockChain is additionally reinforced by an in-house Quality Control/Quality Assurance program to ensure customer requirements are met upon delivery.

AMI RockChain is focused on continued growth by expanding its geographic coverage across Western Canada and from increased customer applications across various market-sectors. The subsidiary is also focused on continuous improvements and advancements relating to technology development, operational excellence, its supply chain data network, growing key clients and servicing repeat customers.

### AMI Silica

AMI Silica's Duvernay Project will continue to advance with priority given its five-year offtake agreement with Shell Canada Energy. The development program is presently focused on revising the Front-end Engineering & Development (FEED) in collaboration with a pending industrial partner, obtaining permits, and thereafter confirming Financial Investment Decision (FID) to proceed to Execution.

AMI Silica's Montney Silica Sand Delineation & Development program is being re-adjusted for cashflow

management purposes in relation to concurrent demands related to the Duvernay Project. Together with its existing joint-venture (JV) partner, 'Privco', the parties are taking a measured approach concerning expenditures in order to confirm the most suitable and cost-effective location for development within the 370,650-acre (150,000 hectare) area in which the JV holds mineral leases.

### **Mergers, Acquisitions & Strategic Joint Ventures**

AMI continues to be active with screening, assessing, and reviewing acquisition and joint venture investment opportunities that are synergistic to the Corporation's portfolio, accretive, and able to expand revenues in the use and application of industrial minerals.

### **COVID-19**

COVID-19 is having an adverse impact on global economic conditions, which has had an adverse effect on the Corporation's business and financial position. The magnitude of the financial impact to the Corporation from COVID-19 remains uncertain. Athabasca Minerals is navigating the situation on an ongoing basis with respect to making appropriate and prudent business decisions, including right-sizing the organization accordingly. The Corporation's divisions and associated operations have been deemed an essential business supporting construction, infrastructure and the energy sector. AMI will continue to monitor and adhere to the required protocols to ensure compliance and to mitigate the risks to staff, and to key stakeholders in its supply chain.

### **INVESTOR UPDATE WEBCAST**

AMI will host a webcast for investors, analysts and stakeholders to discuss the Corporation's Q1 2020 operating results and the existing operating environment.

Date: Thursday, May 28, 2020

Time: 11:00 am MT (1:00 pm ET)

Webcast Registration: [https://us02web.zoom.us/webinar/register/WN\\_I6hJLt48ScOWHt9EmMlgDw](https://us02web.zoom.us/webinar/register/WN_I6hJLt48ScOWHt9EmMlgDw)

Or <https://www.athabascaminerals.com/>

A webcast link and related presentation material will be accessible on the 'Investors Information' page of the Corporation's website at <https://www.athabascaminerals.com/>. A replay of the event will be provided at the same location following the event.

### **ABOUT ATHABASCA MINERALS INC. (AMI)**

Athabasca Minerals Inc. ([www.athabascaminerals.com](http://www.athabascaminerals.com)) is an integrated group of companies focused on the aggregates and industrial minerals sectors, including resource development, aggregates midstream supply-logistics solutions. Business activities include aggregate production, sales and royalties from corporate-owned pits, management services of third-party pits, acquisitions of sand and gravel operations, and new venture development.

Athabasca Minerals Inc. is the parent company of AMI RockChain Inc. (formerly Aggregates Marketing Inc.) ([www.amirockchain.com](http://www.amirockchain.com)) – a midstream technology-based business using its proprietary *RockChain*™ digital platform, associated Solution-Finder algorithm and QA/QC services to provide cost-effective integrated supply/delivery solutions of industrial minerals to industry, and the construction sector.

It is also the parent company of AMI Silica Inc. ([www.amisilica.com](http://www.amisilica.com)) – a subsidiary positioning to become a leading supplier of premium domestic in-basin sand with regional deposits in Alberta and NE British Columbia. It is the joint venture owner of the Montney In-Basin and Duvernay Basin Frac Sand Projects. Additionally, the Corporation has industrial mineral leases, such as those supporting AMI's Richardson Quarry Project, that are strategically positioned for future development in industrial regions with historically and consistently high demand for aggregates.

**For further information on AMI, please contact:**

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