Athabasca MINERALS INC.

THREE MONTHS ENDED MARCH 31, 2017

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

Notice of No Auditor Review of Interim Condensed Financial Statements
For the three month periods ended March 31, 2017 and March 31, 2016

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

(signed) "*Don Paulencu*"
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Don Paulencu
Interim Chief Executive Officer

(signed) "*Deborah Rodrigo*"
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Deborah Rodrigo
Chief Financial Officer

May 30, 2017
Edmonton, Alberta

Interim Condensed Statements of Financial Position (Unaudited)

	Notes	As at March 31, 2017	December 31, 2016
ASSETS			
Current			
Cash		$ 3,653,232	$ 3,995,655
Accounts receivable	3	595,119	2,226,134
Income taxes recoverable		183,182	183,182
Inventory	4	2,655,717	1,585,039
Prepaid expenses and deposits		315,924	340,688
Current Assets		7,403,173	8,330,698
Long-term deposits	5	898,293	875,133
Restricted cash	6	346,744	346,385
Property and equipment	7	6,509,376	6,701,781
Resource properties	8	6,869,668	6,889,219
Intangible asset	9	560,269	770,370
Total Assets		$ 22,587,523	$ 23,913,586
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		$ 625,097	$ 473,298
Current portion of environmental rehabilitation obligations	12	5,706	5,716
Capital term loan	10	-	-
Current portion of lease obligations	11	850,376	1,094,647
Current Liabilities		1,481,179	1,573,661
Lease obligations	11	380,656	485,062
Deferred gain on sale and leaseback		1,329	3,255
Environmental rehabilitation and decommissioning obligations	12	2,073,935	2,055,593
Deferred tax liability	13	1,179,306	1,488,114
Total Liabilities		5,116,405	5,605,685
Contingency	20		
Shareholders' Equity			
Share capital	14	13,246,758	13,246,758
Contributed surplus		4,581,177	4,563,404
Retained earnings (deficit)		(356,817)	497,739
Total Shareholders' Equity		17,471,118	18,307,901
Total Liabilities and Shareholders' Equity		$ 22,587,523	$ 23,913,586

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

Approved by the Board of Directors

" Don Paulencu "	"Gerry Romanzin"
Director	Director

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

	Notes	Three months ended March 31, 2017	2016
Aggregate Sales Revenue		$ 139,539	$ 1,102,773
Aggregate Management Services - Revenues		582,395	698,165
Less: Provincial Government Royalties		(245,564)	(319,963)
Aggregate Management Fees - Net		336,831	378,202
Revenue		476,370	1,480,975
Operating Costs		(454,775)	(649,562)
Amortization and Depreciation		(243,071)	(301,651)
Royalties and Trucking		(26,081)	(308,924)
Cost of Sales		(723,927)	(1,260,137)
Gross Profit (Loss)		(247,557)	220,838
General and Administrative		(605,715)	(713,155)
Share-based Compensation		(17,773)	(47,215)
Amortization of Intangible Asset	9	(210,101)	(216,667)
Other Operating Expenses	19	(187,054)	20,980
Operating Income (Loss)		(1,268,200)	(735,219)
Finance Costs	19	(14,216)	(36,120)
Other Non-Operating Income (Expenses)	19	113,620	4,983
Interest Income		5,432	4,029
Income (Loss) Before Income Taxes		(1,163,364)	(762,327)
Deferred Tax Recovery (Expense)	13	308,808	128,177
Total Comprehensive Income (Loss)		$ (854,556)	$ (634,150)
Earnings (Loss) per Common Share - Basic	14	$ (0.026)	$ (0.019)
Earnings (Loss) per Common Share - Diluted	14	$ (0.026)	$ (0.019)
Weighted Average # of Shares Outstanding	14	33,303,650	33,303,650

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

Interim Condensed Statements of Changes in Equity (Unaudited)

	Number of Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance as at December 31, 2015	33,303,650	$ 13,246,758	$ 4,479,938	$ 2,717,864	$ 20,444,560
Share-based compensation	-	-	47,215	-	47,215
Total comprehensive loss for the period	-	-	-	(634,150)	(634,150)
Balance as at March 31, 2016	33,303,650	13,246,758	4,527,153	2,083,714	19,857,625
Share-based compensation	-	-	36,251	-	36,251
Total comprehensive loss for the period	-	-	-	(1,585,975)	(1,585,975)
Balance as at December 31, 2016	**33,303,650**	**$ 13,246,758**	**$ 4,563,404**	**$ 497,739**	**$ 18,307,901**
Share-based compensation	-	-	17,773	-	17,773
Total comprehensive loss for the period	-	-	-	(854,556)	(854,556)
Balance as at March 31, 2017	**33,303,650**	**$ 13,246,758**	**$ 4,581,177**	**$ (356,817)**	**$ 17,471,118**

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

Interim Condensed Statements of Cash Flows (Unaudited)

	Notes	Three months ended March 31, 2017	2016
OPERATING ACTIVITIES			
Total comprehensive income (loss)		$ (854,556)	$ (634,150)
Repayment of environmental rehabilitation obligations	12	-	(5,076)
Cash recovered on income taxes		-	(128,177)
Adjustments for non-cash items			
Stockpile loss provision	19	21,046	-
Depreciation	7	243,071	310,830
Amortization of resource properties lease costs		2,780	2,779
Amortization of intangible asset	9	210,101	216,667
Amortization of environmental rehabilitation obligation asset		6,140	5,942
Accretion of environmental rehabilitation obligation	12	5,138	2,937
Write down of resource properties	8, 19	150,396	-
Write down of intangible assets		-	3,752
Gain on disposal of property and equipment	19	-	(5,635)
Amortization of deferred gain on sale and leaseback	19	(1,926)	(1,925)
Amortization of deferred financing costs	19	-	2,578
Share-based compensation expense		17,773	47,215
Income tax recovery	13	(308,808)	-
Changes in non-cash working capital balances		-	
Accounts receivable		1,631,015	2,580,091
Inventory		(1,091,724)	87,483
Prepaid expenses and deposits		24,764	(193,401)
Accounts payable and accrued liabilities		151,799	(1,251,391)
Net cash from operating activities		207,009	1,040,519
INVESTING ACTIVITIES			
Long-term deposits		(23,160)	-
Additions of intangible assets		-	(3,752)
Restricted cash		(359)	(367)
Proceeds from disposal of property and equipment		-	7,000
Purchase of property and equipment	7	(6,633)	(35,734)
Spending on resource properties	8	(126,571)	(99,189)
Net cash from (used in) investing activities		(156,723)	(132,042)
FINANCING ACTIVITIES			
Repayment of capital loan term debt	10	-	(250,000)
Repayment of lease obligations	11	(392,709)	(377,107)
Net cash used in financing activities		(392,709)	(627,107)
Net change in cash		(342,423)	281,370
Cash, beginning of period		3,995,655	2,644,430
Cash, end of period		$ 3,653,232	$ 2,925,800

Supplemental cash flow information (Note 18)

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

1. Nature of Business

Athabasca Minerals Inc. (the "**Corporation**") is a public company incorporated under the Business Corporations Act (Alberta) and its shares are listed on the TSX Venture Exchange under the symbol the ABM-V. The Corporation's head office is located at 1319 91st Street SW., Edmonton, Alberta, Canada T6X 1H1.

Athabasca Minerals Inc. is a Canadian management and exploration company that specializes in the management, acquisition, exploration and development of mineral claims located in Alberta.

The Corporation manages the Susan Lake aggregate (sand and gravel) pit on behalf of the Province of Alberta for which management fees are earned under a contract with an expiry date of November 30, 2017. A significant portion of the Corporation's total revenue is derived from this contract.

In addition to the Susan Lake management contract, the Corporation holds Alberta Metallic and Industrial Minerals Permits and Surface Material Leases producing aggregate for a variety of purposes. The Corporation also acquires, explores and develops mineral claims located in Alberta for producing aggregate, extracting silica sand and other non-metallic minerals.

The financial statements for the three months ended March 31, 2017 including comparatives were approved and authorized for issue by the Board of Directors on May 30, 2017.

2. Basis of Presentation

a) Statement of Compliance

The unaudited interim condensed financial statements for the three months ended March 31, 2017 were prepared in accordance with IAS 34 International Accounting Standard – "Interim Financial Reporting" (IAS34) as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual 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 annual financial statements for the year ended December 31, 2016 and should be read in conjunction with those 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 Measurement

These financial statements have been prepared on a historical cost basis with the exception of share-based compensation which are measured at fair value.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars which is the functional currency of the Corporation.

d) **Recent Accounting Pronouncements**

The standards and interpretations that are issued, but not yet effective, as of the date of the Corporation's financial statements are disclosed below. The Corporation intends to adopt these standards, if applicable, when they become effective.

Standards Issued But Not Yet Effective

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 will replace IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. It also introduces a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. Application of the standard is mandatory for annual periods beginning on or after January 1, 2018, with early application permitted. The Corporation is evaluating any potential impact of adopting this standard on its annual financial statements.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 will replace IAS 18, "Revenue". IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual periods beginning on or after January 1, 2018, with early application permitted. The Corporation is evaluating any potential impact of adopting this standard on its annual financial statements.

IFRS 16 – Leases ("IFRS 16")

In January 2016, the IASB issued a new standard on leases, IFRS 16, "Leases". IFRS 16 will require lessees to recognize assets and liabilities for most leases under a single accounting model for which all leases will be accounted for, with certain exemptions. For lessors, IFRS 16 is expected to have little change from existing accounting standards (IAS 17 – Leases). IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Corporation is evaluating any potential impact of adopting this standard on its annual financial statements.

Note 3 – Accounts Receivable

Trade and other receivables are non-interest bearing and are carried at face amount, except when fair value is materially lower. The Corporation uses the direct write off method; once an account is determined to be uncollectible the specific account receivable is written off directly to bad debt expense. During the three months ended March 31, 2017, management determined a trade receivable to be uncollectible, due to its long overdue nature. A bad debt expense of $9,450 was recognized in and is included in operating costs for the period. The Corporation did not write off any amounts to bad debt expense during the three months ended March 31, 2016 ("**Q1-2016**")

Note 4 – Inventory

Inventory consists of the following:

	As at			
		March 31, 2017		December 31, 2016
Stockpiled crushed gravel	**$**	**2,643,887**	$	1,570,499
Fuel inventory		**11,830**		14,540
	$	**2,655,717**	$	1,585,039

Note 4 – Inventory- continued

Inventory with a production cost of $63,691 was sold and is included in operating costs for the three months ended March 31, 2017 (Q1-2016: $230,993). The Corporation recognizes in other operating costs a monthly stockpile loss provision on all inventory stockpiles based on the individual stockpiles' age and size.

The Corporation recognized a stockpile loss provision of $21,046 in operating costs during the three months ended March 31, 2017 (Q1-2016: $Nil).

Note 5 – Long Term Deposits

The long-term deposits are made with various entities to secure certain lease commitments and consist of the following:

	As at	
	March 31, 2017	December 31, 2016
Security deposits on gravel leases	**$ 643,574**	$ 643,574
Deposits on lease obligations	**125,629**	125,629
Security deposits on miscellaneous leases	**129,090**	105,930
	$ 898,293	$ 875,133

Note 6 – Restricted Cash

	As at	
	March 31, 2017	December 31, 2016
Poplar Creek site	**$ 300,000**	$ 300,000
House River pit	**46,744**	46,385
	$ 346,744	$ 346,385

The Corporation has placed funds on deposit to be applied toward the costs of reclamation for the Poplar Creek site and the House River pit.

Note 7 – Property and Equipment

	Stockpile pad	Crushing equipment	Equipment	On-site buildings and fences	Office complex	Scales and scale houses	Total
Cost:							
December 31, 2015	$ 262,104	$ 3,678,249	$ 7,760,814	$ 1,198,701	$ 173,867	$ 848,965	$ 13,922,700
Additions	-	-	49,028	-	-	-	49,028
Disposals	-	-	(363,246)	-	-	-	(363,246)
Impairment	-	(370,794)	(102,396)	(41,850)	-	-	(515,040)
December 31, 2016	**$ 262,104**	**$ 3,307,455**	**$ 7,344,200**	**$ 1,156,851**	**$ 173,867**	**$ 848,965**	**$ 13,093,442**
Additions	-	-	50,666	-	-	-	50,666
March 31, 2017	**$ 262,104**	**$ 3,307,455**	**$ 7,394,866**	**$ 1,156,851**	**$ 173,867**	**$ 848,965**	**$ 13,144,108**
Accumulated Depreciation:							
December 31, 2015	$ 21,688	$ 776,785	$ 3,597,659	$ 321,729	$ 59,705	$ 363,063	$ 5,140,629
Additions	52,421	214,810	958,039	106,225	32,866	85,611	1,449,972
Disposals	-	-	(198,940)	-	-	-	(198,940)
December 31, 2016	**$ 74,109**	**$ 991,595**	**$ 4,356,758**	**$ 427,954**	**$ 92,571**	**$ 448,674**	**$ 6,391,661**
Additions	13,105	-	180,005	24,643	4,513	20,805	243,071
March 31, 2017	**$ 87,214**	**$ 991,595**	**$ 4,536,763**	**$ 452,597**	**$ 97,084**	**$ 469,479**	**$ 6,634,732**
Net book value:							
March 31, 2017	**$ 174,890**	**$ 2,315,860**	**$ 2,858,103**	**$ 704,254**	**$ 76,783**	**$ 379,486**	**$ 6,509,376**
December 31, 2016	$ 187,995	$ 2,315,860	$ 2,987,442	$ 728,897	$ 81,296	$ 400,291	$ 6,701,781
December 31, 2015	$ 240,416	$ 2,901,464	$ 4,163,155	$ 876,972	$ 114,162	$ 485,902	$ 8,782,071
Net book value of leased assets included above:							
As at March 31, 2017	**$ -**	**$ 2,315,860**	**$ 1,608,677**	**$ 178,968**	**$ -**	**$ 38,477**	**$ 4,141,982**
As at December 31, 2016	$ -	$ 2,315,860	$ 1,608,677	$ 178,968	$ -	$ 38,477	$ 4,141,982
As at December 31, 2015	$ -	$ 2,901,463	$ 2,312,803	$ 210,626	$ -	$ 45,493	$ 5,470,385

Depreciation expense for the following periods:

	Total
Three months ended March 31, 2017 depreciation to statement of comprehensive income (loss)	**$ 243,071**
Three months ended March 31, 2017 depreciation to resource properties	**$ -**
Three months ended March 31, 2016	$ 307,367

A 24-man camp, included in on-site buildings and fences with a $135,950 cost is not in use and no depreciation has been taken during the three months ended March 31, 2017 on this asset (Q1-2016: $Nil). Equipment additions include a vehicle of $44,033 acquired under a capital lease.

Note 8 – Resource Properties

	As at March 31, 2017	As at December 31, 2016
Exploration costs	**$ 2,907,193**	$ 2,931,018
Pit development costs	**2,454,932**	2,454,932
Environmental rehabilitation obligation assets	**1,195,937**	1,188,883
Other lease costs	**154,506**	157,286
Land	**157,100**	157,100
	$ 6,869,668	$ 6,889,219

Exploration and Pit Development Costs

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

Exploration and Pit Development Costs-continued

The following table summarizes what comprises exploration costs:

	Firebag Project	Richardson Project	Obed	Birch Mountain	Pelican Hill Pit	Hinton Project	All Other Projects	Total
Cumulative Exploration Cost at December 31, 2015	$ 1,102,699	$ 1,048,911	$ 80,240	$ 465,101	$ 157,582	$ 59,648	$ 207,505	$ 3,121,686
Spending	3,826	5,013	1,177	5,046	-	-	43,408	58,470
Cumulative Exploration Costs at March 31, 2016	$ 1,106,525	$ 1,053,924	$ 81,417	$ 470,147	$ 157,582	$ 59,648	$ 250,913	$ 3,180,156
Spending	1,513	36,105	3,035	-	-	24,042	189,167	253,862
Reclassification	-	-	-	-	-	-	12,073	12,073
Abandoned projects	-	-	-	(470,147)	-	-	(44,926)	(515,073)
Cumulative Exploration Costs at December 31, 2016	**$ 1,108,038**	**$ 1,090,029**	**$ 84,452**	**$ -**	**$ 157,582**	**$ 83,690**	**$ 407,227**	**$ 2,931,018**
Spending	979	14	18	-	49	101	125,410	126,571
Abandoned projects	-	-	-	-	-	-	(150,396)	(150,396)
Cumulative Exploration Costs at March 31, 2017	**$ 1,109,017**	**$ 1,090,043**	**$ 84,470**	**$ -**	**$ 157,631**	**$ 83,791**	**$ 382,241**	**$ 2,907,193**

During the three months ended March 31, 2017, the Corporation recorded a $150,396 impairment on five projects previously included in exploration assets (Q1-2016: $Nil). Management re-evaluated the future economic potential of these projects and determined that further financial investment would be unjustified. Consequently, those projects were abandoned and their write down costs are included in other operating expenses.

Environmental Rehabilitation Obligation (ERO) Asset

The following summarizes what comprises the environmental rehabilitation obligation asset:

	As at	
	March 31, 2017	December 31, 2016
Opening Balance, Environmental Rehabilitation Obligation Asset	$ **1,188,883**	$ 606,455
Change in estimate recognized in ERO liability	**-**	590,134
Amortization of environmental rehabilitation obligation asset	**(6,140)**	-
Change in discount rate	**13,194**	(7,706)
Closing Balance, Environmental Rehabilitation Obligation Asset	$ **1,195,937**	$ 1,188,883

The environmental rehabilitation obligation assets of $1,195,937 pertain 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 12.

Note 9 – Intangible Asset

Susan Lake Management Contract		
Cost:		
Balance as at December 31, 2015	$	7,800,000
Balance as at December 31, 2016		7,800,000
Balance as at March 31, 2017	**$**	**7,800,000**
Accumulated Amortization:		
Balance as at December 31, 2015	$	6,162,963
Amortization for the year		866,667
Balance as at December 31, 2016	$	7,029,630
Amortization for the period		210,101
Balance as at March 31, 2017	**$**	**7,239,731**
Net book value:		
As at December 31, 2015	$	1,637,037
As at December 31, 2016	$	770,370
As at March 31, 2017	**$**	**560,269**

The intangible asset relates to a management contract with the Province of Alberta.

The Susan Lake management contract is amortized on a straight-line basis over the life of the contract, with an expiry date of November 30, 2017. As at March 31, 2017 the remaining term of the contract is 8 months.

The terms of the contract give the Province of Alberta the right to terminate the contract without cause upon three months written notice. The contract provides that the Province of Alberta may at any time during the term of the agreement require the Corporation to operate the tender location in cooperation with oil sands lease development. The Province of Alberta also has the right to withdraw any portion of the lands from the contract.

Note 10 – Capital Term Loan

The Corporation currently has a credit facility with HSBC Bank Canada, which includes an operating loan, a credit card facility and five leasing equipment facilities.

As part of the credit facility the Corporation is subject to three financial covenants. The funded debt to EBITDA (earnings before interest, taxes, stock based compensation, depreciation and amortization and other one-time non-cash expenditures) ratio must be less than 2.75 to 1 for all reporting periods subsequent to and including March 31, 2017 (December 31, 2016: 2.75 to 1). The debt service coverage ratio must be more than 1.25 to 1 for all reporting periods subsequent to and including March 31, 2017 (December 31, 2016: 1.25 to 1). The Corporation must maintain a current ratio for all reporting periods subsequent to and including March 31, 2017 in excess of 1.25 to 1 (December 31, 2016: 1.25 to 1).

As at March 31, 2017 the Corporation is not in compliance with certain financial covenants on their credit facility with HSBC Bank Canada, namely the funded debt to EBITDA ratio and the debt service coverage ratio. The Corporation has requested a forbearance for the three months ended March 31, 2017 on the funded debt to EBITDA ratio and the debt service coverage ratio covenants from HSBC Bank Canada.

The Corporation is subject to capital requirements by HSBC Bank Canada such that capital expenditures in any one year in excess of $3,000,000 annually are restricted without prior written consent.

Operating Loan

The Corporation has access to a $3,000,000 (December 31, 2016: $3,000,000) demand operating loan with a sub-limit of $2,000,000 (December 31, 2016: $2,000,000) available for letters of commercial credit. The operating loan bears interest at the bank's prime lending rate plus 3% (December 31, 2016: bank's prime lending rate plus 3%). Availability of operating loan borrowing is subject to margin requirements, and is determined based upon acceptable accounts receivable and inventory. No balance was outstanding on the operating loan as at March 31, 2017 or December 31, 2016. As at March 31, 2017 $1,351,760 (December 31, 2016: $1,351,760) of the operating line is committed to secure the letters of credit to the benefit of the Government of Alberta but is not funded by the operating line. A cost of 3.50% (December 31, 2016: 3.50%) per annum is charged to secure each of the letters of commercial credit.

The letters of commercial credit to the benefit of the Government of Alberta for decommissioning and restoration are as follows:

	As at	
	March 31, 2017	December 31, 2016
Susan Lake Pit	$ 603,000	$ 603,000
Poplar Creek Site, storage yard	248,760	248,760
Poplar Creek pit	500,000	500,000
	$ 1,351,760	$ 1,351,760

Credit Card Facility

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

Security under the existing facility is as follows:

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

Total interest expense on the bank loan for the three months ended March 31, 2017 is $Nil (Q1-2016: $4,643).

Note 11 – Lease Obligations

			As at	
			March 31, 2017	December 31, 2016
Finance Leases	**Interest Rate**	**Monthly Instalments**		
HSBC Lease #1, due June 30, 2017	4.124%	$ 24,457	$ **48,725**	$ 121,095
HSBC Lease #2, due August 31, 2017	4.250%	65,253	**322,922**	513,894
HSBC Lease #3, due August 31, 2017	4.250%	6,627	**32,884**	52,279
HSBC Lease #4, due September 21, 2018	4.614%	7,452	**129,447**	150,150
HSBC Lease #5, due October 12, 2018	4.593%	7,481	**136,928**	157,639
Cat Financial Lease #2, due May 31, 2019	3.680%	3,450	**82,901**	92,429
Cat Financial Lease #3, due May 31, 2019	3.680%	3,927	**94,365**	105,211
Komatsu Financial Lease #1, due May 8, 2019	3.490%	13,935	**348,469**	387,012
Vehicle Lease	8.486%	-	**34,390**	-
			1,231,032	1,579,709
Current portion - principal due within one year			**(850,376)**	(1,094,647)
			$ **380,656**	$ 485,062

Note 11 – Lease Obligations - continued

Future minimum lease payments for the subsequent three years are as follows:

April 1, 2017 to March 31, 2018	$	879,765
April 1, 2018 to March 31, 2019		353,018
April 1, 2019 to March 31, 2010		35,249
		1,268,032
Less: interest included in payments above (year one)		29,389
Less: interest included in payments above (years two and beyond)		7,611
		37,000
Lease loan principal outstanding, March 31, 2017	$	1,231,032

Security on the HSBC Bank Canada leases is provided for the lease obligation as part of the Corporation's credit facility.

The leases entered into in the year ended December 31, 2015 with CAT Financial and Komatsu are fixed interest rate leases and security is provided by the piece of equipment being leased. The vehicle lease entered into in the three months ended March 31, 2017 had an eleven-month term, with eight months remaining, a fixed interest rate and security is provided by the vehicle.

Total interest expense on the lease obligations for the three months ended March 31, 2017 was $14,216 (Q1-2016: $31,477).

Additional operating leases for premises and equipment for each of the next three years are as follows:

April 1, 2017 to March 31, 2018	$	178,069
April 1, 2018 to March 31, 2019		165,478
April 1, 2019 to February 28, 2020		71,380

Note 12 – Environmental Rehabilitation and Decommissioning Obligations ("ERO")

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

	As at	
	March 31, 2017	**December 31, 2016**
Opening balance, ERO	**$ 2,061,309**	$ 1,381,091
Change in estimate recognized in ERO asset	-	590,134
Reduction in estimate recognized in other non-operating income	-	(153,915)
Change in discount rate	**13,194**	(7,706)
Accretion expense	**5,138**	11,747
Decommissioning expense	-	250,000
Repayment of environmental rehabilitation obligations	-	(10,042)
Ending balance, ERO	**2,079,641**	2,061,309
Less: Current portion, obligations to be funded within one year	**(5,706)**	(5,716)
	$ 2,073,935	$ 2,055,593

Provisions for environment rehabilitation obligations were recognized for mining activities at the Corporate owned pits. The Corporation assesses its provision for environmental rehabilitation obligations on an annual basis or when new material information becomes available. During the year ended December 31, 2016 management engaged a third party environmental engineering firm to assist in the. The estimated undiscounted ERO as at December 31, 2016 was $2,181,283.

There were no new disturbances during the three months ended March 31, 2017.

Note 12 - Environmental Rehabilitation and Decommissioning Obligations ("ERO")-continued

The discount rates used by the Corporation in calculating the change in discount rate 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 0.70% to 1.52% as at March 31, 2017 (Q1-2016: 0.52% to 1.01%) depending on the expected timing of reclamation activities. It is expected that reclamation activities for the existing pits will occur between 2017 and 2027 considering the projected production schedules, the timing of reclamation activities included in the Conservation and Reclamation Business Plan, 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 decommissioning costs are the estimated costs to remove equipment from the Susan Lake aggregate pit at the completion or termination of the management contract.

Reclamation funded during the three months ended March 31, 2017 was $Nil (Q1-2016: $5,075).

The Corporation has paid cash security deposits of $563,604 as at March 31, 2017 (December 31, 2016: $563,604) to the Government of Alberta on behalf of the Corporation for ERO provisions on the aggregate pits, and an additional $79,970 (December 31, 2016: $79,970) for the Firebag property. There has been no disturbance yet that would require the Corporation to set up an ERO provision. These deposits are disclosed in Note 5.

No ERO provision has been provided for by the Corporation for the disturbed areas of the site covered under the Susan Lake management agreement as it is expected that a third party(ies) will assume the majority of the reclamation obligations when they mine the area for oil deposits once the gravel deposits have been depleted.

Note 13 - Income Taxes

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

	As at	
	March 31, 2017	December 31, 2016
Deferred tax assets:		
Cumulative eligible capital	$ 32,088	$ 32,628
Deferred gain on sale and leaseback	359	879
Share issuance costs and finance fees	43,286	50,036
Other	40,500	40,500
Environmental rehabilitation obligation	468,374	463,424
Non- capital loss carryforwards	725,216	395,852
	1,309,823	983,319
Deferred tax liabilities:		
Resource properties	1,495,636	$ 1,497,012
Intangible assets	151,273	208,000
Property and equipment (net of lease obligations)	842,220	766,421
	2,489,129	2,471,433
Net deferred tax liability	$ 1,179,306	$ 1,488,114

Note 13 - Income Taxes- continued

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. The differences result from the following:

	Three months ended March 31, 2017	2016
Loss before income taxes	**$ (1,163,364)**	$ (762,327)
Statutory Canadian combined corporate tax rate	**27.0%**	27.0%
Expected tax recovery	**(314,108)**	(205,828)
Increase (decrease) from income taxes resulting from:		
Non-taxable items	**5,301**	64,904
Other	**-**	12,747
	$ (308,807)	$ (128,177)
Recovery of taxes is comprised of:		
Recovery of deferred taxes	**(308,808)**	(128,177)
	$ (308,808)	$ (128,177)

Note 14 – Share Capital

	As at March 31, 2017	December 31, 2016
Authorized:		
An unlimited number of:		
Common voting shares with no par value		
Preferred shares, issuable in series		
Issued and outstanding		
33,303,650 Common voting shares with no par value, (2016: 33,303,650 shares)	**$ 13,246,758**	$ 13,246,758

Stock options

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

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

	Three months ended March 31, 2017		Year ended December 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period:	1,270,000	$ 1.34	3,173,334	$ 1.22
Issued	480,000	0.24	-	-
Expired or cancelled	(475,000)	1.88	(1,903,334)	1.15
Options outstanding, end of period:	**1,275,000**	**$ 0.70**	1,270,000	$ 1.32

Of the 1,275,000 (December 31, 2016: 1,270,000) outstanding stock options, as at March 31, 2017, 688,333 (December 31, 2016: 1,073,333) options have vested and therefore, were exercisable at March 31, 2017 at a weighted average exercise price of $0.70 per share (December 31, 2016: $1.32 per share).

The weighted average remaining contractual life of the options is 3.45 years (December 31, 2016 – 2.21 years).

Stock options - continued

No options were exercised during the three months ended March 31, 2017 (December 31, 2016: Nil). On March 29, 2017 30,000 options expired and on January 13, 2017 480,000 options were granted to directors, officer and employees of the Corporation. No options were granted and 1,903,334 options were cancelled or expired during the year ended December 31, 2016.

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 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.

The following is a summary of the outstanding stock options as at March 31, 2017 and December 31, 2016:

		Options Outstanding as at	
Expiry Date	**Exercise Price**	**March 31, 2017**	**December 31, 2016**
March 29, 2017	0.63	-	30,000
December 11, 2017	1.64	**75,000**	75,000
September 6, 2018	1.02	**200,000**	200,000
June 26, 2019	2.90	**100,000**	375,000
May 25, 2020	0.70	**100,000**	160,000
December 14, 2020	0.30	**320,000**	430,000
January 13, 2022	0.24	**480,000**	-
		1,275,000	1,270,000

The fair value of the options granted was estimated on the dates of the grant using the Black-Scholes Option Pricing Model. The fair value 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	Forfeiture rate
January 13, 2017	480,000	$ 0.235	Nil	88.8%	1.13%	5 years	$ 0.16	15.3%
December 14, 2015	640,000	$ 0.30	Nil	81.3%	0.79%	5 years	$ 0.19	11.9%
May 25, 2015	750,000	$ 0.70	Nil	78.4%	1.05%	5 years	$ 0.42	7.9%

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

<u>Net Loss Per Common Share</u>

The treasury stock method is used to calculate loss per share, and under this method options that are anti-dilutive are excluded from the calculation of diluted loss per share. For the three months ended March 31, 2017 and year ended December 31, 2016, all outstanding options were considered anti-dilutive because the Corporation recorded a loss over those periods.

Net Loss Per Common Share – continued

	Three months ended March 31, 2017	2016
Basic earnings (loss) per share		
Total comprehensive income (loss)	$ (854,556)	$ (634,150)
Weighted average number of common shares outstanding	33,303,650	33,303,650
Total comprehensive income (loss) per common share, basic	$ (0.026)	$ (0.019)
Diluted earnings (loss) per share		
Total comprehensive income (loss)	$ (854,556)	$ (634,150)
Weighted average number of common shares outstanding	33,303,650	33,303,650
Effect of dilutive stock	-	-
Weighted average number of common shares outstanding assuming dilution	33,303,650	33,303,650
Total comprehensive income (loss) per common share, diluted	$ (0.026)	$ (0.019)

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Note 15 – Related Party Transactions

The Corporation's related parties include three directors, the Interim Chief Executive Offer, the Chief Financial Officer and a janitorial service provider who is a family member of an officer of the Corporation. The remuneration earned by the directors, Interim Chief Executive Officer and former Chief Financial Officer were as follows:

	As at March 31, 2017	2016
Directors and Officers:		
Directors fees	$ 48,125	$ 25,000
Travel and miscellaneous expenses	679	300
	$ 48,804	$ 25,300
Salaries and other benefits	$ 50,347	$ 145,000
Share-based compensation	17,001	31,256
	$ 67,348	$ 176,256
Accounts Payable - related parties		
Directors fees	$ 26,125	$ 22,500
Directors Expenses	265	
	$ 26,390	$ 22,500

Amounts due to related parties relating to director fees and expenses, as at March 31, 2017 was $26,390. The director's fees are paid on a quarterly basis. The unpaid amounts due to directors are recorded against accrued liabilities, unsecured and bear no interest.

Janitorial services were provided by a family member of an officer of the Corporation during the three months ended March 31, 2017 in the amount of $2,400 (Q1-2016: $1,150). The balance owing with respect to these services as at March 31, 2017 was $800 (March 31, 2016: $800).

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

Note 16 – Financial Instruments

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

Fair Value

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

Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash, restricted cash, accounts receivable, and long-term deposits. The Corporation's maximum credit risk at March 31, 2017 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.

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 potential credit losses by considering the credit risk of specific customers, historical trends and other information. Five customers, each individually owing greater than 10% of the accounts receivable total balance, accounted for 96% for the Corporation's accounts receivable for the period ending March 31, 2017 (December 31, 2016: Two customers accounted for 59%).

The accounts receivable aging is as follows:

	Current	60-90 days	> 90 days	Total
As at March 31, 2017	**$ 452,608**	**$ -**	**$ 142,511**	**$ 595,119**
As at December 31, 2016	$ 1,690,579	$ 208,068	$ 327,487	$ 2,226,134

Liquidity Risk

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

As at March 31, 2017 the Corporation has sufficient working capital to fund ongoing operations and meet its liabilities when they come due. Accordingly, the Corporation is not exposed to significant liquidity risk. The Corporation has identified its financial liabilities as accounts payable, accrued liabilities and lease obligations, including interest.

The expected remaining contractual maturities of the Corporation's financial liabilities are shown in the table below.

	As at March 31, 2017			
	0 - 1 year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 625,097	$ -	$ -	$ 625,097
Lease obligations, including interest	879,765	388,267	-	1,268,032
Total	**$ 1,504,862**	**$ 388,267**	**$ -**	**$ 1,893,129**

Liquidity Risk -continued

	As at December 31, 2016							
		0 - 1 year		2 - 3 years		4 - 5 years		Total
Accounts payable and accrued liabilities	$	473,298	$	-	$	-	$	473,298
Lease obligations, including interest		1,132,517		497,001		-		1,629,518
Total	**$**	**1,605,815**	**$**	**497,001**	**$**	**-**	**$**	**2,102,816**

Interest Rate Risk

The Corporation is exposed to interest rate risk on the operating loan. The Corporation's operating loan bears interest at 3.00% (Q1-2016: 3.00%) over the bank's prime lending rate. As the bank's prime lending rate fluctuates so will the cost of borrowing.

A 100-basis point increase in the interest rate on outstanding debt with variable interest rates would not have negatively impacted earnings because the operating loan was not utilized during the three months ended March 31, 2017 (Q1-2016: $250).

Note 17 – Capital Disclosures

The capital of the Corporation consists of items included in equity and debt, net of cash and cash equivalents.

	As at			
		March 31, 2017		December 31, 2016
Total equity attributable to shareholders	**$**	**17,471,118**	$	18,307,901
Total borrowings				
Current portion of lease obligations		**850,376**		1,094,647
Lease obligations		**380,656**		485,062
Cash		**(3,653,232)**		(3,995,655)
Total Managed Capital	**$**	**15,048,919**	$	15,891,955

The Corporation's objective when managing capital is to provide sufficient capital to cover normal operating and capital expenditures. In order to maintain or adjust the capital structure, the Corporation may issue debt, purchase shares for cancellation pursuant to normal course issuer bids or issue new shares. The Corporation is subject to externally imposed capital requirements by the Corporation's bank that capital expenditure aggregates in any one year in excess of $3,000,000 annually are restricted without prior written consent as disclosed in Note 10.

There were no changes to the Corporation's capital management during the three months ended March 31, 2017.

Note 18 – Supplemental Cash Flow Disclosures

		Three months ended March 31,			
			2017		2016
Cash received (paid) cash during the year for:					
Interest received		**$**	**5,432**	$	4,029
Interest paid			**(14,216)**		(36,120)
Property and equipment obtained through finance lease	7		**44,033**		-

Note 19 – Supplemental Statement of Comprehensive Income (Loss) Disclosures

Financing costs are comprised of the following:

	Notes	Three months ended March 31, 2017	2016
Finance Costs			
Interest on long-term debt		$ -	$ (4,643)
Interest on lease obligations		(14,216)	(31,477)
		$ (14,216)	$ (36,120)

Other operating expenses are comprised of the following:

	Notes	Three months ended March 31, 2017	2016
Other Income (Expenses)			
Write down of resource properties		$ (150,396)	$ -
Stockpile loss provision	4	(21,046)	-
Amortization of environmental rehabilitation obligation asset		(6,140)	(5,942)
Accretion of environmental rehabilitation obligation		(5,138)	(2,937)
Amortization of resource property lease costs		(2,780)	(2,779)
Other income (expenses)		(1,555)	32,638
		$ (187,054)	$ 20,980

	Notes	Three months ended March 31, 2017	2016
Other Income (Expenses)			
Horizon camp rental		$ 103,470	$ -
Amortization of deferred gain on sale and leaseback		1,926	1,926
Gain on disposal of property and equipment		-	5,635
Amortization of deferred financing costs		-	(2,578)
Other income (expenses)		8,224	-
		$ 113,620	$ 4,983

During the three months ended March 31, 2017 the Corporation rented the work camp at Poplar Creek for $103,470 (Q1-2016: $Nil) in rental income.

During the three months ended March 31, 2017 87% (Q1-2016: 63%) of aggregate sales were sold to four (Q1-2016: one) customers. Individually these customers represented more than 10% of the Corporation's total annual revenue.

Note 19 – Supplemental Statement of Comprehensive Income (Loss) Disclosures - continued

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

	For the three months ended March 31,	
	2017	2016
Employee benefit expenses	$ **465,986**	$ 658,945

Employee benefit expenses include wages, salaries, severance pay, 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 cost of sales and general and administrative expenses in the Statement of Comprehensive Income (Loss).

Note 20 – Contingency

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

Athabasca Minerals believes the Counterclaim is without merit and will defend it rigorously. The outcome of the counterclaim is unknown at this time.