Athabasca
MINERALS INC.

# CONDENSED INTERIM FINANCIAL STATEMENTS

**For the three and nine months ended September 30, 2015**
**and the three and nine months ended August 31, 2014**

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**Notice of No Auditor Review of Condensed Interim Financial Statements**
**For the three and nine months ended September 30, 2015 and the three and nine months ended August 31, 2014**

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

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

| | |
|---|---|
| "*Scott MacDougall*" | "*Williams Woods"* |
| Scott Macdougall, P. Eng<br>President & Chief Executive Officer | Williams Woods, CMA<br>Chief Financial Officer |

November 13, 2015
Edmonton, Alberta

## ATHABASCA MINERALS INC.
**Condensed Interim Balance Sheets**

| | As at September 30, 2015 | As at December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | **$ 1,149,908** | $ 828,672 |
| Accounts receivable | **7,255,861** | 6,521,384 |
| Income rax recoverable | **457,680** | 209,477 |
| Inventory (Note 4) | **8,537,837** | 9,254,701 |
| Prepaid expenses and deposits | **664,053** | 508,732 |
| Current portion of land use agreement receivable | **35,932** | 253,571 |
| | **18,101,271** | 17,576,537 |
| Long-Term Deposits | **842,443** | 839,007 |
| Restricted Cash | **344,477** | 358,229 |
| Property and Equipment (Note 5) | **9,450,099** | 8,780,971 |
| Resource Properties (Note 6) | **7,807,177** | 7,280,531 |
| Intangible Assets (Note 7) | **1,853,704** | 2,503,704 |
| Goodwill (Note 8) | **2,537,701** | 2,537,701 |
| **Total Assets** | **$ 40,936,872** | $ 39,876,680 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | **$ 5,284,994** | $ 3,937,424 |
| Current portion of environmental rehabilitation obligations | **100,292** | 100,292 |
| Current portion of long-term debt (Note 9) | **743,125** | 1,485,391 |
| Current portion of lease obligations (Note 10) | **1,680,317** | 1,368,959 |
| | **7,808,728** | 6,892,066 |
| Lease Obligations (Note 10) | **2,178,610** | 2,494,449 |
| Environmental Rehabilitation Obligations | **1,209,314** | 1,138,347 |
| Deferred Gain on Sale and Leaseback | **12,884** | 18,661 |
| Deferred Tax (Note 11) | **2,511,756** | 2,243,352 |
| | **13,721,292** | 12,786,875 |
| **Equity** | | |
| Share Capital (Note 12) | **13,246,758** | 13,246,758 |
| Contributed Surplus | **4,488,808** | 3,811,373 |
| Retained Earnings | **9,480,014** | 10,031,674 |
| | **27,215,580** | 27,089,805 |
| **Total Liabilities and Equity** | **$ 40,936,872** | $ 39,876,680 |

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

**Approved by the Board of Directors**

| | |
|---|---|
| **"Peter Elzinga"** | **"Don Paulencu"** |
| **Chairman of the Board** | **Chairman of the Audit Committee** |

# ATHABASCA MINERALS INC.
## Condensed Interim Statements of Net Loss and Comprehensive Loss

| | Three months ended September 30, 2015 | Three months ended August 31, 2014 | Nine months ended September 30, 2015 | Nine months ended August 31, 2014 |
|---|---|---|---|---|
| Sales Revenue Corporate Pits | **$ 4,792,719** | $ 6,119,581 | **$ 6,942,774** | $ 11,226,441 |
| Aggregate Management Services - Revenues | **4,856,879** | 4,547,008 | **8,821,961** | 7,482,012 |
| Less: Provincial Government Royalties | **(1,719,768)** | (1,202,319) | **(3,223,677)** | (2,056,198) |
| Aggregate Management Fees | **3,137,111** | 3,344,689 | **5,598,284** | 5,425,814 |
| **Revenue** | **7,929,830** | 9,464,270 | **12,541,058** | 16,652,255 |
| Operating Costs | **1,574,061** | 2,960,543 | **4,173,640** | 7,329,406 |
| Amortization and Depreciation | **472,025** | 538,015 | **1,097,988** | 1,633,295 |
| Selling Costs | **2,524,560** | 1,788,713 | **3,679,103** | 4,508,030 |
| **Cost of Sales** | **4,570,646** | 5,287,271 | **8,950,731** | 13,470,731 |
| **Gross Profit (Loss)** | **3,359,184** | 4,176,999 | **3,590,327** | 3,181,524 |
| General and Administrative | **639,476** | 693,878 | **2,587,995** | 2,074,700 |
| Share-based Compensation | **137,381** | 508,276 | **677,435** | 780,987 |
| Amortization of Intangible Assets (Note 7) | **216,666** | 216,667 | **650,000** | 650,000 |
| | **993,523** | 1,418,821 | **3,915,430** | 3,505,687 |
| **Operating Income (Loss)** | **2,365,661** | 2,758,178 | **(325,103)** | (324,163) |
| Finance Costs (Note 18) | **85,128** | 98,794 | **231,398** | 295,307 |
| Other (Income) Expenses | **181,269** | 338,495 | **143,453** | 282,737 |
| Interest Income | **(1,430)** | (824) | **(7,177)** | (9,270) |
| | **264,967** | 436,465 | **367,674** | 568,774 |
| **Income (Loss) Before Income Taxes** | **2,100,694** | 2,321,713 | **(692,777)** | (892,937) |
| Current Tax Recovery (Note 11) | **414,065** | 720,417 | **(409,521)** | (211,038) |
| Deferred Tax Expense (Note 11) | **72,125** | (4,448) | **268,404** | 161,454 |
| | **486,190** | 715,969 | **(141,117)** | (49,584) |
| **Net Income (loss) and Comprehensive Loss** | **$ 1,614,504** | $ 1,605,744 | **$ (551,660)** | $ (843,353) |
| Net Loss per Common Share - Basic | **$ 0.048** | $ 0.049 | **$ (0.017)** | $ (0.027) |
| Net Loss per Common Share - Diluted | **$ 0.043** | $ 0.047 | **$ (0.017)** | $ (0.027) |
| Weighted Average # of Shares Outstanding (Note 12 e) | **33,303,650** | 32,778,997 | **33,303,650** | 31,814,599 |

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

## ATHABASCA MINERALS INC.
### Condensed Interim Statements of Changes in Equity

| | Number of Shares | Share Capital | Contributed Surplus | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| **Balance as at November 30, 2013** | 28,307,500 | $ 7,290,018 | $ 1,692,342 | $10,862,853 | **$19,845,213** |
| Share-based compensation | - | - | 780,987 | - | **780,987** |
| Options exercised | 388,333 | 247,300 | - | - | **247,300** |
| Warrants exercised | 407,500 | 713,125 | - | - | **713,125** |
| Private placement share issuance | 3,965,517 | 4,870,096 | 879,904 | - | **5,750,000** |
| Share issuance costs | - | (646,420) | 162,983 | - | **(483,437)** |
| Transfer of value on options exercised | - | 181,740 | (181,740) | - | **-** |
| Transfer of value on warrants exercised | - | 180,839 | (180,839) | - | **-** |
| Net earnings for the period | - | - | - | (843,353) | **(843,353)** |
| **Balance as at August 31, 2014** | **33,068,850** | **$ 12,836,698** | **$ 3,153,637** | **$10,019,500** | **$26,009,835** |
| Share-based compensation | - | - | $ 772,686 | - | **$ 772,686** |
| Options exercised | 220,000 | 148,350 | - | - | **148,350** |
| Warrants exercised | 14,800 | 25,901 | - | - | **25,901** |
| Share issuance costs, tax impact | - | 120,859 | - | - | **120,859** |
| Transfer of value on options exercised | - | 108,382 | (108,382) | - | **-** |
| Transfer of value on warrants exercised | - | 6,568 | (6,568) | - | **-** |
| Net earnings for the period | - | - | - | 12,174 | **12,174** |
| **Balance as at December 31, 2014** | **33,303,650** | **$ 13,246,758** | **$ 3,811,373** | **$10,031,674** | **$27,089,805** |
| Share-based compensation | - | | $ 677,435 | - | **$ 677,435** |
| Net earnings for the period | - | - | - | (551,660) | **(551,660)** |
| **Balance as at September 30, 2015** | **33,303,650** | **$ 13,246,758** | **$ 4,488,808** | **$ 9,480,014** | **$27,215,580** |

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

# ATHABASCA MINERALS INC.
## Condensed Interim Statements of Cash Flows

| | Three months ended September 30, 2015 | Three months ended August 31, 2014 | Nine months ended September 30, 2015 | Nine months ended August 31, 2014 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Net income (loss) | $ 1,614,504 | $ 1,605,744 | $ (551,660) | $ (843,353) |
| Adjustments for non-cash items: | | | | |
| Depreciation, amortization, depletion and accretion | 696,890 | 760,204 | 1,767,880 | 2,293,773 |
| Income tax expense (benefit) | 647,508 | 927,007 | 20,201 | 161,454 |
| Share-based compensation | 137,381 | 508,276 | 677,435 | 780,987 |
| Loss on land use agreement | 28,620 | 114,820 | 45,398 | 114,820 |
| Amortization of deferred gain on sale and leaseback | (1,926) | (1,926) | (5,777) | (5,778) |
| Amortization of deferred financing costs (Note 18) | 2,578 | 2,578 | 7,734 | 7,734 |
| Write-off of mineral properties | 155,238 | 261,131 | 155,238 | 261,131 |
| Write-off of intangible assets | - | (35,480) | 5,773 | (35,480) |
| Net loss adjusted for non-cash items | 3,280,793 | 4,142,354 | 2,122,222 | 2,735,288 |
| Net changes in non-cash working capital balances | | | | |
| Accounts payable and accrued liabilities | 1,827,524 | 518,132 | 1,347,569 | 837,441 |
| Accounts receivable | (3,448,853) | (2,171,784) | (734,477) | (1,296,940) |
| Inventory | 396,246 | 388,965 | 716,864 | (2,504,718) |
| Income tax recovery | (77,726) | (211,038) | - | (184,844) |
| Prepaid expenses and deposits | (44,979) | (43,634) | (155,321) | (141,017) |
| | 1,933,005 | 2,622,995 | 3,296,857 | (554,790) |
| **INVESTING ACTIVITIES** | | | | |
| Long-term deposits | - | (21,570) | (3,436) | (308,230) |
| Restricted cash | 15,036 | (2,553) | 13,752 | (7,838) |
| Proceeds from land use agreement | 20,000 | 25,212 | 169,939 | 76,352 |
| Proceeds from sale and leaseback of property and equipment | - | - | 28,442 | - |
| Purchase of property and equipment | (49,588) | (91,612) | (586,396) | (960,197) |
| Fund decommissioning and restoration provision | - | - | - | (29,107) |
| Spending on resource properties | (377,123) | (546,533) | (728,215) | (1,703,371) |
| | (391,675) | (637,056) | (1,105,914) | (2,932,391) |
| **FINANCING ACTIVITIES** | | | | |
| Repayment of long-term debt (Note 9) | (250,000) | (250,000) | (750,000) | (750,000) |
| Repayment of lease obligations. | (408,945) | (328,582) | (1,119,707) | (975,381) |
| Issuance of share capital | - | 892,925 | - | 6,710,425 |
| Share issuance costs | - | - | - | (483,437) |
| | (658,945) | 314,343 | (1,869,707) | 4,501,607 |
| Net increase in cash | 882,385 | 2,300,282 | 321,236 | 1,014,426 |
| Cash, beginning of period | 267,523 | (1,213,705) | 828,672 | 72,151 |
| Cash, end of period | $ 1,149,908 | $ 1,086,577 | $ 1,149,908 | $ 1,086,577 |
| Supplemental cash flow information (Note 17) | $ - | | | |

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

### Note 1 – Nature of Business

Athabasca Minerals Inc. (the "Corporation" or "Athabasca") is incorporated under the *Business Corporations Act (Alberta).* The Corporation's head office is located at 9524 27 Avenue, Edmonton, Alberta, Canada T6N 1B2.

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

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

The Corporation experiences significant changes in earnings due to the seasonality of operations. The Corporation derives a significant portion of its revenue from producing aggregate in Northern Alberta. The ability to produce aggregate is hampered by cold and wet weather conditions. As a result, winter and spring are traditionally the slowest time for the Corporation.

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

### Note 2 – Basis of Presentation and Statement of Compliance

In 2014, the Corporation changed its financial year-end from November 30$^{th}$ to December 31$^{st}$. With this fiscal year-end change, the Corporation reported a one-time, transitional thirteen month financial year ending December 31, 2014, which was compared to the financial statements for the twelve months ended November 30, 2013. This change in the financial year-end from November 30$^{th}$ to December 31$^{st}$ was made by the Corporation to better align Athabasca's financial reporting calendar with its industry peers. As a result of this change, the interim financial statements in 2015 will be compared to a three month period from the prior year with a different balance sheet date.

As such, these condensed interim financial statements of the Corporation for the three and nine months ended September 30, 2015 include comparative results for the three and nine months ended August 31, 2014. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Corporation has prepared these condensed interim financial statements in accordance with International Accounting Standard ("IAS") 34 – "Interim Financial Reporting" ("IAS 34"). Accordingly, certain information and footnote disclosures normally included in the annual financial statements have been omitted or condensed.

These financial statements are prepared on a going concern basis, under the historical cost convention, except for certain financial assets which are presented at fair value. All financial information is presented in Canadian dollars.

These financial statements were authorized for issue by the Board of Directors on November 13, 2015.

### Note 3 – Significant management judgments, estimates and accounting changes

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

The critical judgements and estimates applied in the preparation of the Company's unaudited condensed interim financial statements for the three and nine months ended September 30, 2015 are consistent with those applied and disclosed in note 3 to the Company's audited condensed financial statements for the thirteen months ended December 31, 2014.

### Note 4 – Inventory

Inventory consists of the following:

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Stockpiled crushed gravel | $ 6,077,233 | $ 6,764,920 |
| Stockpiled sand | 2,460,604 | 2,489,781 |
| | $ 8,537,837 | $ 9,254,701 |

During the three and nine months ended September 30, 2015, inventory with a production cost of $479,420 and $710,392 respectively compared to the three and nine months ended August 31, 2014 – $2,238,458 and $3,675,015 respectively was sold and forms part of cost of sales.

## Note 5 – Property and Equipment

| **Cost at:** | **Assets Under Construction** | **Stockpile Pad** | **Crushing** | **Equipment** | **On-site buildings and fences** | **Office Complex** | **Scales and scale houses** | **Total** |
|---|---|---|---|---|---|---|---|---|
| November 30, 2013 | | | $ 3,678,249 | $ 7,388,865 | $ 591,191 | $ 173,867 | $ 655,919 | $12,488,091 |
| Additions | | | - | 396,360 | 471,560 | - | 176,295 | 1,044,215 |
| Disposals | | | - | (448,338) | - | - | - | (448,338) |
| December 31, 2014 | - | - | 3,678,249 | 7,336,887 | 1,062,751 | 173,867 | 832,214 | 13,083,968 |
| Additions | | 157,315 | - | 1,379,916 | 135,950 | - | - | 1,673,181 |
| **September 30, 2015** | **$ -** | **$ 157,315** | **$ 3,678,249** | **$ 8,716,803** | **$ 1,198,701** | **$ 173,867** | **$ 832,214** | **$14,757,149** |
| | | | | | | | | |
| **Accumulated Depreciation at:** | | | | | | | | |
| November 30, 2013 | $ - | $ - | $ 434,636 | $ 1,952,083 | $ 108,914 | $ 35,557 | $ 192,082 | $ 2,723,272 |
| Additions | | | 247,829 | 1,282,617 | 106,616 | 12,557 | 87,760 | 1,737,379 |
| Write-offs | | | - | (157,654) | - | - | - | (157,654) |
| December 31, 2014 | | | 682,465 | 3,077,046 | 215,530 | 48,114 | 279,842 | 4,302,997 |
| Additions | - | 5,422 | 61,399 | 786,481 | 79,643 | 8,693 | 62,415 | 1,004,053 |
| **September 30, 2015** | **$ -** | **$ 5,422** | **$ 743,864** | **$ 3,863,527** | **$ 295,173** | **$ 56,807** | **$ 342,257** | **$ 5,307,050** |
| | | | | | | | | |
| **Net book value at:** | | | | | | | | |
| **September 30, 2015** | **$ -** | **$ 151,893** | **$ 2,934,385** | **$ 4,853,276** | **$ 903,528** | **$ 117,060** | **$ 489,957** | **$ 9,450,099** |
| December 31, 2014 | - | - | 2,995,784 | 4,259,841 | 847,221 | 125,753 | 552,372 | 8,780,971 |
| | | | | | | | | |
| **Net book value of leased assets included above:** | | | | | | | | |
| **September 30, 2015** | **$ -** | **$ -** | **$ 2,934,384** | **$ 2,909,773** | **$ 218,540** | **$ -** | **$ 47,249** | **$ 6,109,946** |
| December 31, 2014 | - | - | 3,087,483 | 2,440,590 | 252,836 | - | 54,851 | 5,835,760 |

| **Depreciation expense for the following periods:** | **Total $** |
|---|---|
| **Nine months ended September 30, 2015** | **$ 1,004,053** |
| Nine months ended August 31, 2014 | 1,187,800 |

## Note 6 – Resource Properties

| | **September 30, 2015** | **December 31, 2014** |
|---|---|---|
| Exploration costs | $ 5,018,236 | $ 4,416,427 |
| Production costs | 1,778,667 | 1,849,863 |
| Environmental rehabilitation obligation assets | 589,276 | 556,025 |
| Land | 157,100 | 157,100 |
| Mineral permits | 30,625 | 30,625 |
| Mineral leases | - | 28,832 |
| Miscellaneous lease costs | 233,273 | 241,659 |
| | $ 7,807,177 | $ 7,280,531 |

During the three and nine months ended September 30, 2015, the Corporation spent $389,617 and $757,047 respectively on resource properties at various exploration and development projects compared to $572,389 and $1,352,155 respectively for the three and nine months ended August 31, 2014. The majority of the spending for 2015 is on the Firebag and Trans-loading facility project.

During the three months ended September 30, 2015, $155,238 of exploration assets were written off of which $124,241 was the Doyle salt project.

## Note 7 – Intangible Assets

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

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 September 30, 2015, the remaining term of the contract is 26 months. The Poplar Creek pit has been depleted and accordingly its management contract and decommissioning and restoration costs carrying values were written off as at November 30, 2011.

Amortization of intangible assets for the three and nine months ended September 30, 2015 was $216,666 and $650,000 respectively compared to $216,666 and $650,000 for the three and nine months ended August 31, 2014.

The terms of the contracts give the Province of Alberta the right to terminate the contracts without cause upon three months written notice. The contracts provide that the Province of Alberta may at any time during the term of the agreement require the Corporation to operate the tender location in cooperation with oil sand lease development. The Province of Alberta also has the right to withdraw any portion of the lands from the contracts and those lands withdrawn shall cease to be the responsibility of the Corporation with respect to any environmental rehabilitation obligations. In January 2015, the Province of Alberta amended the boundary of Susan Lake effective January 22, 2015, but the amendment had no impact on the value of the management contract and no significant impact on the Corporation.

## Note 8 – Goodwill

The goodwill arose as a result of the acquisition of Aggregates Management Inc. that closed on November 20, 2008. The acquired entity held the management contracts to operate on behalf of the Province of Alberta, two aggregate pits in the Fort McMurray area of Alberta.

The Susan Lake pit cash generating unit ("CGU") now represents virtually all of the revenues and cash inflows of the acquired entity, with the result that all goodwill is allocated to the Susan Lake pit CGU for the purposes of impairment testing.

In accordance with IFRS guidance, impairment of goodwill has been tested annually by management with the conclusion reached that no impairment has occurred.

In the valuation model, a 1% annual growth rate was applied to the price per tonne projections as the management fee revenue increases with the consumer price index changes. The valuation of the CGU is sensitive to changes in the revenue assumptions. All other things being equal, a decrease of revenues, arising from a decrease in tonnes or pricing, of 5% in each of the remaining three years of the contract would result in the carrying value of the CGU being in excess of the fair value by approximately $266,000 and would have required an impairment of goodwill for that amount.

A discount rate of 19.3% was used based on the Corporation's after-tax weighted cost of capital. All other things being equal, an increase in the discount rate of 2% to 21.3% would result in the carrying value of the CGU being in excess of the fair value by approximately $114,000 and would have required an impairment of goodwill for that amount.

No events have occurred that would suggest impairment exists as at September 30, 2015. Management complete the annual goodwill impairment testing in the third quarter of 2015 unless events occur which would suggest impairment exists at an earlier date. Since the Susan Lake contract does have a finite life, given that the contract at Susan Lake has an expiry date of November 30, 2017, future cash flows are decreasing as time passes which reduces the recoverable amount of the CGU. As a result, impairment of goodwill is likely to occur within the next year unless an extension is signed with the Government of

Alberta.

**Note 9 – Long-Term Debt**

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Bank loan, repayable in monthly instalments of $83,333 plus interest at the bank's prime lending rate plus 1.75%, due June 8, 2016 | $ 750,000 | $ 1,500,000 |
| Deferred financing costs, amortized over life of debt agreement | (6,875) | (14,609) |
| | 743,125 | 1,485,391 |
| Current portion | 743,125 | 1,485,391 |
| | $ - | $ - |

Unless demanded, the principal repayment requirements for the upcoming year are as follows:

| | |
|---|---|
| October 1, 2015 to June 30, 2016 | $ 750,000 |
| | $ 750,000 |

The Corporation has a credit facility, which includes an operating loan, a capital loan, two leasing equipment facilities, and a credit card facility.

The capital loan, as shown in the table above, has an outstanding balance as at September 30, 2015 of $750,000 (December 31, 2014 - $1,500,000) before deferred financing costs. The whole amount outstanding is current as at September 30, 2015.

The Corporation is subject to three financial covenants as part of the credit facility. The funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio must be less than 2.75 to 1 for all reporting periods subsequent to and including September 30, 2015. The debt service coverage ratio must be more than 1.25 to 1 for all reporting periods subsequent to and including September 30, 2015. The Corporation must maintain a current ratio for all reporting periods subsequent to and including September 30, 2015 in excess of 1.25 to 1.

As at September 30, 2015, the Corporation is in compliance with the lender's covenants.

Total interest expense on the bank loan for the three and nine months ended September 30, 2015 is $10,449 and $40,405 respectively compared to the three and nine months ended August 31, 2014 of $23,184 and $77,092 respectively. These amounts are disclosed as part of Finance costs (Note 18).

### Note 10 – Lease Obligations

| | Interest Rate | Monthly Instalments | September 30, 2015 | December 31, 2014 |
|---|---|---|---|---|
| **Finance Leases** | | | | |
| Lease #1, due June 30, 2017 | 4.124% | $ 38,817 | $ 749,103 | $ 1,069,748 |
| Lease #2, due August 31, 2017 | 4.250% | 65,253 | 1,438,955 | 1,970,897 |
| Lease #3, due August 31, 2017 | 4.250% | 6,627 | 146,225 | 200,247 |
| Lease #4, due September 21, 2018 | 4.614% | 7,452 | 250,161 | 307,463 |
| Lease #5, due October 12, 2018 | 4.593% | 7,481 | 257,708 | 315,053 |
| Cat Financial Lease #1, due May 31, 2019 | 3.680% | 3,611 | 145,267 | - |
| Cat Financial Lease #2, due May 31, 2019 | 3.680% | 3,928 | 138,779 | - |
| Cat Financial Lease #3, due May 31, 2019 | 3.680% | 3,927 | 157,972 | - |
| Komatsu Financial Lease #1, due May 8, 2019 | 3.490% | 13,935 | 574,757 | - |
| | | | 3,858,927 | 3,863,408 |
| Current portion - principal due within one year | | | 1,680,317 | 1,368,959 |
| | | | $ 2,178,610 | $ 2,494,449 |

Total interest expense on the lease obligations for the three and nine months ended September 30, 2015 is $32,874and $109,402 respectively compared to the three and nine months ended August 31, 2014 of $47,914 and $154,552 respectively. These amounts are disclosed as part of Finance costs (Note 17).

### Note 11 - Income Taxes

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

Deferred taxes reflects the tax effects of non-capital losses carried forward and the effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts recognized for income tax purposes.

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

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Deferred tax assets:** | | |
| Cumulative eligible capital | $ 34,930 | $ 34,930 |
| Deferred gain on sale and leaseback | 3,221 | 4,665 |
| Share issuance costs and finance fees | 94,673 | 94,366 |
| | 132,824 | 133,961 |
| **Deferred tax liabilities:** | | |
| Resource properties | $ 1,471,683 | $ 1,259,985 |
| Intangible assets | 463,426 | 625,926 |
| Property and equipment | 700,825 | 428,009 |
| Deferred finance costs | (337) | |
| Land use agreement receivable | 8,983 | 63,393 |
| | 2,644,580 | 2,377,313 |
| Net deferred tax liability | $ 2,511,756 | $ 2,243,352 |

**Note 11 - Income Taxes (continued)**

Income tax expense varies from the amount that would result from applying the combined federal and provincial income tax rates to income before income taxes. These variances are summarized here:

| | Nine months ended September 30, 2015 | | Nine months ended August 31, 2014 | |
|---|---|---|---|---|
| Income before income taxes | $ | (692,777) | $ | (892,937) |
| Statutory Canadian combined corporate tax rate | | 25.0% | | 25.0% |
| Expected tax expense | | (173,194) | | (223,234) |
| Increase (decrease) from income taxes resulting from: | | | | |
| Non-deductible expenses | | 169,359 | | 204,348 |
| Other | | (137,282) | | (30,698) |
| | $ | (141,117) | $ | (49,584) |
| The provision for taxes is comprised of: | | | | |
| Provision for current taxes | $ | (409,521) | $ | (211,038) |
| Provision for deferred taxes | | 268,404 | | 161,454 |
| | $ | (141,117) | $ | (49,584) |

**Note 12 – Share Capital**

a) Authorized:

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

As at September 30, 2015, Athabasca has 33,303,650 common shares outstanding (August 31, 2014 – 33,068,850).

On January 14, 2014 the Corporation issued 3,965,517 common shares in a private placement for cash consideration of $5,750,000. Legal and filing fees of $138,437 and commissions of $345,000 associated with the private placement were incurred for net cash proceeds of $5,266,563.

In the nine months ended August 31, 2014, 388,333 options were exercised at an average price of $0.58.

b) Repurchased common shares:

During the nine months ended September 30, 2015, the Corporation did not purchase or cancel any common shares. The Corporation has a normal course issuer bid in place for the purchase of up to 1,665,182 common shares that will terminate on December 31, 2015.

**Note 12 – Share Capital (continued)**

c) Stock options:

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

750,000 options were issued during the three months ended June 30, 2015 with an exercise price of $0.70. No options were exercised during the nine months ended September 30, 2015.

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

| | Nine months ended September 30, 2015 | | Thirteen months ended December 31, 2014 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| **Options outstanding:** | | | | |
| Beginning of period | 3,006,264 | $ 1.69 | 2,326,666 | $ 0.87 |
| Issued | 750,000 | 0.70 | 1,487,931 | 2.45 |
| Expired or cancelled | (678,332) | 1.27 | (200,000) | 1.02 |
| Exercised | - | - | (608,333) | 0.65 |
| End of period | 3,077,932 | $ 1.54 | 3,006,264 | $ 1.69 |

Of the outstanding stock options as at September 30, 2015, 2,036,669 (as at August 31, 2014 – 1,809,596) options have vested and therefore, were exercisable at September 30, 2015 at a weighted average exercise price of $1.58 per share (as at August 31, 2014 - $0.99 per share).

The weighted average remaining contractual life of the options is 2.11 years (as at August 31, 2014 – 3.50 years).

The following is a summary of the outstanding stock options as at September 30, 2015:

| Expiry Date | Exercise Price | Options Outstanding - September 30, 2015 |
|---|---|---|
| October 15, 2015 | $ 0.26 | 160,000 |
| March 29, 2017 | $ 0.63 | 493,333 |
| September 6, 2018 | $ 1.02 | 250,000 |
| August 24, 2017 | $ 1.04 | 50,000 |
| January 14, 2016 | $ 1.45 | 237,931 |
| October 29, 2019 | $ 1.60 | 100,000 |
| January 14, 2019 | $ 1.63 | 150,000 |
| December 11, 2017 | $ 1.64 | 300,000 |
| June 26, 2019 | $ 2.90 | 866,668 |
| May 25, 2020 | $ 0.70 | 470,000 |
| | | 3,077,932 |

d) Warrants:

| | Nine months ended September 30, 2015 | | Thirteen months ended December 31, 2014 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| **Warrants outstanding:** | | | | |
| Beginning of period | 1,560,458 | $ 1.75 | - | $ - |
| Issued | - | - | 1,982,758 | 1.75 |
| Expired or cancelled | - | - | - | - |
| Exercised | - | - | - | - |
| End of period | 1,560,458 | $ 1.75 | 1,982,758 | $ 1.75 |

On January 14, 2014 the Corporation issued 3,965,517 common shares in a private placement for cash consideration of $5,750,000. Legal and filing fees of $138,437 and commissions of $345,000 associated with the private placement were incurred for net cash proceeds of $5,266,563. Each common share issued in the private placement is accompanied by one common share purchase warrant entitling the holder to acquire one-half additional common share at a price of $1.75 for a period of two years from January 14, 2014. The fair values attributed to the common shares and warrants were $4,870,096 and $879,904 respectively.

## Note 12 – Share Capital (continued)

e) Net income (loss) per common share

| | Three months ended September 30, 2015 | Three months ended August 31, 2014 | Nine months ended September 30, 2015 | Nine months ended August 31, 2014 |
|---|---|---|---|---|
| **Net earning (loss) per common share - basic & diluted** | | | | |
| Net loss | $ 1,614,504 | $ 1,605,744 | $ (551,660) | $ (843,353) |
| Weighted average number of common shares outstanding | 33,303,650 | 32,778,997 | 33,303,650 | 31,814,599 |
| Net loss per common share - basic and diluted | $ 0.048 | $ 0.049 | $ (0.017) | $ (0.027) |

During the nine months ended September 30, 2015 and the nine months ended August 31, 2014, the Corporation was in a net loss position therefore the conversion of convertible securities is considered to be anti-dilutive.

## Note 13 - Related Party Transactions

During the three and nine months ended September 30, 2015, the Corporation incurred expenses of $30,295 and $90,238 respectively compared to the three and nine months ended August 31, 2014 of $25,231 and $30,229 respectively for services provided by certain directors and officers and certain companies controlled by certain directors and officers of the Corporation as further described below.

These costs are recorded in the financial statements as follows:

| | Three months ended September 30, 2015 | Three months ended August 31, 2014 | Nine months ended September 30, 2015 | Nine months ended August 31, 2014 |
|---|---|---|---|---|
| **Directors and Officers:** | | | | |
| Directors fees and expenses | $ 30,000 | $ 10,701 | $ 85,619 | $ 12,303 |
| Travel and miscellaneous | 295 | 14,530 | 4,619 | 17,926 |
| | $ 30,295 | $ 25,231 | $ 90,238 | $ 30,229 |
| **Companies controlled by Directors and Officers:** | | | | |
| Rent | $ 21,000 | $ 21,000 | $ 63,000 | $ 63,000 |
| | 21,000 | 21,000 | 63,000 | 63,000 |
| | $ 51,295 | $ 46,231 | $ 153,238 | $ 93,229 |

Accounts payable and accrued liabilities include $15,750 from the above expenses as at September 30, 2015.

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 14 – Key Management Compensation

Executive compensation for key management personnel was as follows:

| | Three months ended September 30, 2015 | Three months ended August 31, 2014 | Nine months ended September 30, 2015 | Nine months ended August 31, 2014 |
|---|---|---|---|---|
| Salaries and other benefits | $ 97,350 | $ 185,470 | $ 762,497 | $ 625,061 |
| Share-based benefits | 57,241 | 377,477 | 298,936 | 531,237 |
| | $ 154,591 | $ 562,947 | $ 1,061,433 | $ 1,156,298 |

## Note 15 – Financial Instruments

The Corporation's financial instruments consist of cash, restricted cash, accounts receivable, land use agreement receivable, and long-term deposits, which are classified as loans and receivables with a carrying value of $9,628,622 (as at December 31, 2014 - $8,800,863); and accounts payable and accrued liabilities, and long-term debt, which are classified as other financial liabilities with a carrying value of $6,028,121 (as at December 31, 2014 - $5,422,815).

a) Fair Value

The financial assets and liabilities that are recognized on the balance sheet at fair value are grouped into three levels of a hierarchy based on the observability of significant inputs used in making the measurements, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation can assess at the measurement date;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly as prices or indirectly derived from prices; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Due to the short-term nature of cash, accounts receivable, and accounts payable and accrued liabilities, the carrying value of these financial instruments approximate their fair value. The fair value of restricted cash and long-term debt is a Level 2 measurement and approximates their carrying values as they are at the market rate of interest. Long-term deposits are refundable. The fair value of long-term deposits is a Level 2 measurement and is not materially different from carrying value. Land use agreement receivable is a Level 2 measurement and is an estimate of discounted future cash flow with carrying value approximating fair value.

b) Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash, restricted cash, accounts receivable, long-term deposits and land use agreement receivable. The Corporation’s maximum credit risk at September 30, 2015 is the carrying value of these financial assets.

In the normal course of business the Corporation evaluates the financial condition of its customers on a continuing basis and reviews the credit worthiness of all new customers. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historical trends and other information. As at September 30, 2015, 63.4% (December 31, 2014 – 57.0%) of the Corporation's accounts receivable was due from five principal customers with individual receivables in excess of 10% of the total amount receivable for the Corporation.

**15 – Note Financial Instruments (continued)**

Accounts receivable as at September 30, 2015 of $7,255,861 has been increased from December 31, 2014 of $6,521,384. As at September 30, 2015, the Corporation's aged accounts receivable were comprised of 63.3% current, 22.4% past due up to 60 days and 14.3% past due over 60 days. As at December 31, 2014, the Corporation's aged accounts receivable are comprised of 33.3% current, 57.4% past due up to 60 days and 9.3% past due over 60 days.

The accounts receivable past due over 60 days as at September 30, 2015 consist of amounts primarily from three customers. The customers with overdue balances are reducing the amount at an acceptable level such that management does not feel it is necessary to allow for any of the accounts receivable balances as at September 30, 2015.

c) Liquidity Risk

The Corporation manages liquidity risk by ensuring sufficient funds are available to meet liabilities when they come due. As part of Athabasca's credit facility, the Corporation must maintain certain ratios. The Corporation has complied with all ratios as at September 30, 2015.

As at September 30, 2015 the Corporation has sufficient working capital to fund ongoing operations and meet its liabilities when they come due. Accordingly, the Corporation is not exposed to significant liquidity risk.

The Corporation has identified its financial liabilities as accounts payable and accrued liabilities, long-term debt, including interest but excluding deferred financing costs, and lease obligations, including interest.

| | 0 - 1 year | 2 - 3 years | 4 - 5 years | Total |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 5,284,994 | $ - | $ - | $ 5,284,994 |
| Long-term debt, including interest | 767,969 | - | - | 767,969 |
| Lease obligations, including interest | 1,811,332 | 2,438,060 | 323,345 | 4,572,737 |
| Total | $ 7,864,295 | $ 2,438,060 | $ 323,345 | $10,625,700 |

The Corporation's projected cash flow from operating activities and existing availability from credit facilities are expected to be greater than anticipated capital expenditures and the contractual maturities of the Corporation's financial liabilities as at September 30, 2015.

d) Foreign Currency Risk

The Corporation maintains a USD currency bank account with a nominal balance for the infrequent need to fund supplier purchases denominated in USD currency. As at September 30, 2015, the Corporation had no significant USD denominated accounts payable or receivables. As the amounts involved are insignificant, management feels the foreign currency risk for the Corporation is minimal.

e) Interest Rate Risk

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

## Note 16 - Capital Disclosures

The capital structure of the Corporation consists of net debt (borrowings, as detailed in Note 9 and Note 10, offset by cash) plus equity (comprised of share capital, contributed surplus and retained earnings).

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 as discussed in Note 9.

There were no changes to the Corporation’s capital management during the nine months ended September 30, 2015.

## Note 17 - Supplemental Cash Flow Disclosures

| | Three months ended September 30, 2015 | Three months ended August 31, 2014 | Six months ended June 30, 2015 | Nine months ended August 31, 2014 |
|---|---|---|---|---|
| **The Corporation received (paid) cash during the period for:** | | | | |
| Interest received | $ 1,429 | $ 824 | $ 7,176 | $ 9,270 |
| Interest paid | - | 71,098 | 106,483 | 231,643 |
| Income taxes received | 83,592 | - | 161,318 | - |
| Income taxes paid | - | - | - | - |

## Note 18 – Finance Costs

Finance costs are comprised of the following:

| | Three months ended September 30, 2015 | Three months ended August 31, 2014 | Nine months ended September 30, 2015 | Nine months ended August 31, 2014 |
|---|---|---|---|---|
| Interest on long-term debt | $ 10,449 | $ 23,184 | $ 40,405 | $ 77,092 |
| Interest on lease obligations | 32,874 | 47,914 | 109,402 | 154,552 |
| Amortization of deferred financing costs | 2,578 | 2,578 | 7,734 | 7,734 |
| ERO accretion expense | 4,432 | 5,525 | 13,295 | 10,479 |
| Other interest expense and bank fees | 34,795 | 19,593 | 60,562 | 45,450 |
| | $ 85,128 | $ 98,794 | $ 231,398 | $ 295,307 |

## Note 19 – Comparative Figures

The Corporation has reclassified certain balances in the condensed interim statement of net loss and comprehensive loss and condensed interim statement of cash flows from the comparative period in order to maintain consistency with presentation for the current period.

## Note 20 – Subsequent Events

One Board of Director stepped down on October 6, 2015