



**CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the Three Months Ended February 28, 2013**

**(unaudited)**

**Notice of No Auditor Review of Condensed Interim Financial Statements  
For the three months ended February 28, 2013**

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 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.

April 29, 2013

*"Udomdej Kriangkum"*  
Udomdej Kriangkum  
Chief Executive Officer

*"Don Hrubá"*  
Don Hrubá  
Chief Financial Officer

**ATHABASCA MINERALS INC.**  
**Condensed Interim Balance Sheets**  
**(unaudited)**

|  | <u>February 28,<br/>2013</u> | <u>November 30,<br/>2012</u> |
|--|------------------------------|------------------------------|
| <b>ASSETS</b>  |                              |                              |
| <b>CURRENT</b>   |                              |                              |
| Cash   | \$ 2,332,883                 | \$ 2,532,413                 |
| Accounts receivable  | 7,556,255                    | 4,618,912                    |
| Inventory (Note 6)   | 2,562,124                    | 1,500,942                    |
| Prepaid expenses and deposits                              | 440,735                      | 514,240                      |
| Current portion of land use agreement receivable (Note 10) | 547,835                      | 660,873                      |
|  | <u>13,439,832</u>            | <u>9,827,380</u>             |
| LONG-TERM DEPOSITS (Note 7)                                | 366,846                      | 366,846                      |
| RESTRICTED CASH (Note 8)                                   | 223,216                      | 213,015                      |
| PROPERTY AND EQUIPMENT (Note 9)                            | 9,389,532                    | 9,168,090                    |
| LAND USE AGREEMENT RECEIVABLE (Note 10)                    | 716,041                      | 959,987                      |
| RESOURCE PROPERTIES (Note 11)                              | 6,085,698                    | 5,895,745                    |
| INTANGIBLE ASSETS (Note 12)                                | 4,092,592                    | 4,309,259                    |
| GOODWILL (Note 13)   | 2,537,701                    | 2,537,701                    |
|  | <u>\$ 36,851,458</u>         | <u>\$ 33,278,023</u>         |
| <b>LIABILITIES</b>   |                              |                              |
| <b>CURRENT</b>   |                              |                              |
| Trade and other payables                                   | \$ 7,436,777                 | \$ 3,048,649                 |
| Income tax payable   | 234,334                      | 302,379                      |
| Current portion of long-term debt (Note 14)                | 1,000,000                    | 1,000,000                    |
| Current portion of lease obligation (Note 15)              | 1,125,191                    | 1,113,444                    |
|  | <u>9,796,302</u>             | <u>5,464,472</u>             |
| LONG-TERM DEBT (Note 14)                                   | 2,299,818                    | 2,548,430                    |
| LEASE OBLIGATION (Note 15)                                 | 4,215,316                    | 4,501,057                    |
| DECOMMISSIONING AND RESTORATION PROVISION (Note 16)        | 1,025,842                    | 1,098,041                    |
| DEFERRED GAIN ON SALE AND LEASEBACK (Note 17)              | 32,783                       | 34,709                       |
| DEFERRED TAX (Note 18)                                     | 2,517,590                    | 2,542,422                    |
|  | <u>19,887,651</u>            | <u>16,189,131</u>            |
| <b>EQUITY</b>  |                              |                              |
| SHARE CAPITAL (Note 19)                                    | 7,128,108                    | 7,049,080                    |
| CONTRIBUTED SURPLUS  | 1,269,068                    | 1,098,599                    |
| RETAINED EARNINGS  | 8,566,631                    | 8,941,213                    |
|  | <u>16,963,807</u>            | <u>17,088,892</u>            |
|  | <u>\$ 36,851,458</u>         | <u>\$ 33,278,023</u>         |

Approved by the Board of Directors

"Douglas Stuve", Director

Douglas M. Stuve

"Theodore Rousseau", Director

Theodore Rousseau

The accompanying notes are part of these financial statements.

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**ATHABASCA MINERALS INC.****Condensed Interim Statements of Net (Loss) Income and Comprehensive (Loss) Income**

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

|   | Three Months<br>Ended<br>February 28,<br>2013 | Three Months<br>Ended<br>February 29,<br>2012 |
|---|---|---|
| AGGREGATE MANAGEMENT SERVICES   | \$ 2,044,898                                  | \$ 2,845,227                                  |
| ROYALTIES   | (555,881)                                     | (822,718)                                     |
| AGGREGATE MANAGEMENT FEES   | 1,489,017                                     | 2,022,509                                     |
| AGGREGATE SALES   | 5,306,067                                     | 1,607,110                                     |
| ROYALTIES   | (111,688)                                     | -   |
| NET AGGREGATE SALES   | 5,194,379                                     | 1,607,110                                     |
| REVENUE   | 6,683,396                                     | 3,629,619                                     |
| Stripping, clearing and crushing expenses                               | 1,570,911                                     | 1,050,701                                     |
| Amortization, depreciation, and depletion                               | 319,218                                       | 51,204  |
| Other aggregate operating expenses                                      | 3,843,214                                     | 464,818                                       |
| AGGREGATE OPERATING EXPENSES  | (5,733,343)                                   | (1,566,723)                                   |
| GROSS PROFIT  | 950,053                                       | 2,062,896                                     |
| OTHER EXPENSES  |   |   |
| Depreciation of property and equipment                                  | 139,275                                       | 31,510  |
| Amortization of intangible assets (Note 12)                             | 216,667                                       | 216,667                                       |
| General and administrative  | 549,344                                       | 446,575                                       |
| Finance costs (Note 21)   | 105,306                                       | 46,125  |
| Share-based compensation  | 204,597                                       | 21,277  |
|   | (1,215,189)                                   | (762,154)                                     |
| INCOME (LOSS) BEFORE OTHER ITEMS  | (265,136)                                     | 1,300,742                                     |
| OTHER INCOME (LOSS)   |   |   |
| Interest income   | 8,178   | 3,623   |
| Loss on land use agreement (Note 10)                                    | (284,274)                                     | -   |
| Miscellaneous income  | 30,476  | 2,288   |
| Amortization of deferred gain on sale and leaseback                     | 1,926   | -   |
| Loss on sale of property and equipment                                  | -   | (24,827)                                      |
| Recovery of intangible assets (Note 12)                                 | 41,371  | -   |
|   | (202,323)                                     | (18,916)                                      |
| (LOSS) INCOME BEFORE INCOME TAXES                                       | (467,459)                                     | 1,281,826                                     |
| INCOME TAXES  |   |   |
| Current tax (expense) benefit (Note 18)                                 | 68,045  | (383,458)                                     |
| Deferred tax (expense) benefit (Note 18)                                | 24,832  | (113,960)                                     |
|   | 92,877  | (497,418)                                     |
| <b>NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME</b>                | <b>\$ (374,582)</b>                           | <b>\$ 784,408</b>                             |
| <b>BASIC (LOSS) INCOME PER COMMON SHARE (Note 19 e)</b>                 | <b>\$ (0.013)</b>                             | <b>\$ 0.029</b>                               |
| <b>DILUTED (LOSS) INCOME PER COMMON SHARE (Note 19 e)</b>               | <b>\$ (0.013)</b>                             | <b>\$ 0.028</b>                               |
| <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 19 e)</b> | <b>28,097,759</b>                             | <b>27,199,166</b>                             |

The accompanying notes are part of these financial statements.

# ATHABASCA MINERALS INC.

## Condensed Interim Statements of Changes in Equity For the three months ended February 28, 2013 and February 29, 2012 (unaudited)

|  | <u>Three months ended February 28, 2013</u> |                          |                                |                              |                     |
|--|---|--------------------------|--------------------------------|------------------------------|---------------------|
|  | <u>Number of<br/>Shares</u>                 | <u>Share<br/>Capital</u> | <u>Contributed<br/>Surplus</u> | <u>Retained<br/>Earnings</u> | <u>Total Equity</u> |
| <b>November 30, 2012</b>               | 27,980,833                                  | \$7,049,080              | \$1,098,599                    | \$8,941,213                  | \$17,088,892        |
| Share-based compensation               | -   | -                        | 204,597                        | -                            | 204,597             |
| Options exercised                      | 136,667                                     | 44,900                   | -                              | -                            | 44,900              |
| Transfer of value on options exercised | -   | 34,128                   | (34,128)                       | -                            | -                   |
| Net loss for the period                | -   | -                        | -                              | (374,582)                    | (374,582)           |
| <b>February 28, 2013</b>               | 28,117,500                                  | \$7,128,108              | \$1,269,068                    | \$8,566,631                  | \$16,963,807        |

|                           | <u>Three months ended February 29, 2012</u> |                          |                                |                              |                     |
|---------------------------|---|--------------------------|--------------------------------|------------------------------|---------------------|
|                           | <u>Number of<br/>Shares</u>                 | <u>Share<br/>Capital</u> | <u>Contributed<br/>Surplus</u> | <u>Retained<br/>Earnings</u> | <u>Total Equity</u> |
| <b>November 30, 2011</b>  | 27,199,166                                  | \$6,655,116              | \$795,996                      | \$4,230,804                  | \$11,681,916        |
| Share-based compensation  | -   | -                        | 21,277                         | -                            | 21,277              |
| Net income for the period | -   | -                        | -                              | 784,408                      | 784,408             |
| <b>February 29, 2012</b>  | 27,199,166                                  | \$6,655,116              | \$817,273                      | \$5,015,212                  | \$12,487,601        |

The accompanying notes are part of these financial statements.

# ATHABASCA MINERALS INC.

## Condensed Interim Statements Of Cash Flows

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

|   | Three Months<br>Ended<br>February 28,<br>2013 | Three Months<br>Ended<br>February 29,<br>2012 |
|---|---|---|
| <b>OPERATING ACTIVITIES</b>                         |   |   |
| Net (loss) income                                   | \$ (374,582)                                  | \$ 784,408                                    |
| Adjustments for non-cash items:                     |   |   |
| Depreciation, amortization, depletion and accretion | 675,847                                       | 300,067                                       |
| Deferred tax expense (benefit)                      | (24,832)                                      | 113,960                                       |
| Share-based compensation                            | 204,597                                       | 21,277  |
| Loss on land use agreement                          | 284,274                                       | -   |
| Amortization of deferred gain on sale and leaseback | (1,926)                                       | -   |
| Amortization of long-term debt transaction costs    | 1,388   | -   |
| Loss on write off of property and equipment         | -   | 24,827  |
| Recovery of intangible assets                       | (41,371)                                      | -   |
| Net (loss) income adjusted for non-cash items       | <u>723,395</u>                                | <u>1,244,539</u>                              |
| Net changes in non-cash working capital balances    |   |   |
| Trade and other payables                            | 4,388,128                                     | 811,698                                       |
| Accounts receivable                                 | (2,937,343)                                   | (714,134)                                     |
| Inventory   | (1,061,182)                                   | -   |
| Income tax payable                                  | (68,045)                                      | 158,458                                       |
| Prepaid expenses and deposits                       | 73,505  | 11,820  |
|   | <u>1,118,458</u>                              | <u>1,512,381</u>                              |
| <b>INVESTING ACTIVITIES</b>                         |   |   |
| Restricted cash                                     | (10,201)                                      | (17,060)                                      |
| Proceeds from land use agreement                    | 55,804  | 54,549  |
| Purchase of property and equipment                  | (500,341)                                     | (145,889)                                     |
| Resource properties                                 | (384,156)                                     | (226,462)                                     |
|   | <u>(838,894)</u>                              | <u>(334,862)</u>                              |
| <b>FINANCING ACTIVITIES</b>                         |   |   |
| Repayment of long-term debt                         | (250,000)                                     | -   |
| Repayment of lease obligations                      | (273,994)                                     | -   |
| Issue of share capital                              | 44,900  | -   |
| Repayment of callable debt                          | -   | (460,062)                                     |
|   | <u>(479,094)</u>                              | <u>(460,062)</u>                              |
| NET (DECREASE) INCREASE IN CASH                     | (199,530)                                     | 717,457                                       |
| CASH, BEGINNING OF PERIOD                           | <u>2,532,413</u>                              | <u>1,397,883</u>                              |
| CASH, END OF PERIOD                                 | <u>\$ 2,332,883</u>                           | <u>\$ 2,115,340</u>                           |
| Supplemental cash flow information (Note 25)        |   |   |

## **ATHABASCA MINERALS INC.**

### **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

#### **Note 1 – Nature of Business**

Athabasca Minerals Inc. (the "Corporation") 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 is listed on the TSX Venture Exchange ("TSX Venture").

#### **Note 2 – Seasonality of Operations**

The Corporation derives a significant portion of its revenues from producing various types of aggregate in Northern Alberta. The ability to remove gravel from its gravel pits is hampered by cold and wet weather conditions. As a result, winter and spring are traditionally the slowest time for the Corporation.

#### **Note 3 – Basis of Presentation and Statement of Compliance**

These interim financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB"). The Corporation prepared these interim financial statements for the three months ended February 28, 2013 (and comparative results for the three months ended February 29, 2012) in accordance with International Accounting Standard ("IAS") 34- *Interim Financial Reporting*.

Certain information and disclosures normally required to be included in notes to the annual financial statements have been condensed or omitted. Accordingly these interim financial statements should also be read in conjunction with the Corporation's audited financial statements for the year ended November 30, 2012 presented under IFRS.

The accounting policies set out below have been applied to all periods presented in these financial statements.

The interim results are not indicative of results for a full year.

These financial statements were authorized for issue by the Board of Directors on April 29, 2013.

#### **Note 4 – Significant accounting judgments and estimates**

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include:

## **ATHABASCA MINERALS INC.**

### **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

#### **Note 4 – Significant accounting judgments and estimates (continued)**

##### **Judgments**

###### **Revenue**

Under its aggregate management contracts with the government, the Corporation invoices its customers for any royalties applicable on the sale of aggregates, and is responsible to collect and remit all invoiced royalties. An entity acts as a principal (not as an agent) when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. In a principal relationship, billed amounts are reported on a gross basis. In an agency relationship, billed amounts are reported on a net basis as the amounts collected on behalf of the principal are not considered revenue. Determining whether an entity is acting as a principal or agent requires judgment and consideration of all relevant facts and circumstances. Features that indicate that an entity is acting as a principal include:

- The entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order;
- The entity bears the customer's credit risk for the amount receivable from the customer;
- The entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and
- The entity has inventory risk before or after the customer order, during shipping or on return.

It is the judgment of management that in the case of providing aggregate management services, the first two considerations above apply to the Corporation's situation, whereas the remaining two considerations apply less to the Corporation's situation. It is therefore management's determination that the Corporation serves a role as principal rather than agent in the aggregate management services it performs.

###### **Impairment of Resource Properties**

Mineral properties are reviewed and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Common indicators of impairment of a mineral property include, but are not limited to: (i) the right to explore in a specific area has expired, or will soon expire, and is not expected to be renewed; (ii) substantive expenditure on further exploration in a specific area is neither budgeted or planned; (iii) exploration in an area has not led to the discovery of commercially viable quantities of mineral resources, or the results are not compelling enough to warrant further exploration, and the Corporation has decided to discontinue activities in the area; or (iv) sufficient data exist to indicate that, although exploration or development in an area is likely to proceed, the carrying amount of the mineral property is unlikely to be recovered in full from successful development or by sale.

###### **Commencement of Commercial Production**

The Corporation assesses the stage of each resource property under development to determine when a property reaches the stage when it is substantially complete and ready for its intended use. Criteria used to assess when a property has commenced commercial production includes, among other considerations:

- Capital expenditures incurred relative to the expected costs to complete;
- The completion of a reasonable period of testing of mine plant and equipment;
- The ability to produce saleable aggregates;
- Achievement of production targets;
- Sufficiency of hauling access from the pit,
- The ability to sustain ongoing production.

When management determines that a property has commenced commercial production, costs deferred during development are reclassified as production costs and amortized.



## **ATHABASCA MINERALS INC.**

### **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

#### **Note 4 – Significant accounting judgments and estimates (continued)**

##### **Judgments** (continued)

###### **Collectability of Accounts Receivable**

In considering the collectability of accounts receivable, taken into account is the legal obligation for payment by the customer, as well as the financial capacity of the customer to fund its obligation to the Corporation.

###### **Leases**

Management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership. Management evaluates the lease terms and in some cases the lease transaction is not always conclusive in its classification as a finance lease.

##### **Estimates**

###### **Useful Economic Life of Property and Equipment**

The cost less the residual value of each item of property, plant and equipment is depreciated over its useful economic life. Depreciation is charged to exploration expense over the estimated life of the individual asset. Depreciation commences when assets are available for use. The assets' useful lives and methods of depreciation are reviewed and adjusted if appropriate at each fiscal year end.

Certain property, plant, equipment and other tangible assets used directly in resource production activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable minerals to be mined from proven and probable mineral reserves.

The calculation of the UOP rate, and therefore the annual depreciation expense, could be materially affected by changes in the underlying estimates. Changes in estimates may result from difference between actual future production and current forecast of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of production and differences in mineral prices used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and no assurance can be given that the actual useful lives or residual values will not differ significantly from current assumptions.

###### **Impairment of Goodwill and Other Assets**

Any goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of property and equipment and intangible assets is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values less costs to sell or value in use, including those of the cash-generating units for purposes of testing goodwill, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

###### **Mineral Reserves**

Proven and probable minerals reserves are the economically mineable parts of the Corporation's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study.

## **ATHABASCA MINERALS INC.**

### **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

#### **Note 4 – Significant accounting judgments and estimates (continued)**

##### **Estimates** (continued)

###### **Mineral Reserves** (continued)

The Corporation estimates its proven and probable mineral reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. Geological estimates of the size, depth and shape of the ore body requires complex judgements. The estimation of future cash flows related to proven and probable mineral reserves is based upon factors such as estimates of commodity prices, future capital requirements, mineral recovery factors and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the proven and probable mineral reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of mineral properties, property and equipment, decommissioning and restoration provisions, recognition of deferred tax amounts, amortization and depreciation.

###### **Calculation of Share-based Payments**

The amount expensed for share-based payments is based on the application of the Black-Scholes option pricing formula, which is highly dependent on the expected volatility of the Corporation's share price and the expected life of the options. The Corporation used an expected volatility rate for its shares based on historical stock trading data adjusted for future expectations; actual volatility may be significantly different.

While the estimate of share-based compensation can have a material impact on the operating results reported by the Corporation, it is a non-cash charge and as such has no impact on the Corporation's cash position or future cash flows.

###### **Decommissioning and Restoration Provision**

The Corporation assesses its provision for decommissioning and restoration on an annual basis or when new information or circumstances merit a re-assessment. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and the Corporation has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning and restoration obligations required management to make estimates of the future costs the Corporation will incur to complete the decommissioning and restoration work required to comply with existing laws and regulations.

Actual costs incurred may differ from estimated costs. Also, future changes to environmental laws and regulations could increase the extent of decommissioning and restoration work to be performed by the Corporation. Increases in future costs could materially increase amounts expensed and amounts charged to profit or loss for decommissioning and restoration.

The provision, at each reporting date, for decommissioning and restoration provisions represents management's best estimate of the present value of the future decommissioning and restoration obligations. Actual expenditures may differ from the recorded amount.

###### **Inventories**

Aggregate work-in-process and finished goods are valued at the lower of average production cost or net realizable value. Net realizable value is the estimated receipt from sale of the inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale. The production cost of inventories is determined on a weighted average basis and includes direct labour, subcontractor production costs, overhead and depreciation, depletion and amortization of resource properties.

## **ATHABASCA MINERALS INC.**

### **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

#### **Note 4 – Significant accounting judgments and estimates (continued)**

##### **Estimates** (continued)

###### **Income Taxes**

Income taxes are measured by applying estimated annual effective income tax rates that are expected to be in effect when the temporary differences that give rise to deferred tax assets and liabilities are expected to reverse or when losses are expected to be utilized. The estimated average annual effective income tax rates are re-estimated at each reporting date. Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Corporation's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Corporation's assessment is based upon existing tax laws, estimates of future taxable income, and the expected timing of taxable temporary difference reversals.

If the assessment of the Corporation's ability to utilize the underlying future tax deductions changes, the Corporation would be required to recognize more or fewer of the tax deductions as assets, which may decrease or increase the income tax expense in the period in which this is determined.

###### **Land Use Agreement Receivable**

The average daily work camp occupancy rates used in the determination of the total future proceeds of the land use agreement receivable is an estimate and therefore actual future proceeds under the land use agreement could vary significantly. During the year ended November 30, 2012, a second lodge was constructed in the work camp. The work camp was constructed primarily to serve the accommodation needs of the oil sands industry workers. The actual occupancy rate is largely dependent on oil sands development activity in the Fort McMurray region of Alberta.

#### **Note 5 – Significant Accounting Policies**

##### **Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash on deposit with financial institutions and highly liquid short-term investments that have maturity of three months or less.

##### **Revenue Recognition**

The Corporation derives revenues through the management of the Susan Lake aggregate pit where a management fee is earned based on the volume extracted from the pit. In addition, the Corporation derives revenues from the sale of aggregates from its corporate-owned pits. The Corporation recognizes revenue at the point that the aggregate material leaves the pit.

Revenue from the sale of aggregates, net of any discounts, is recognized on the sale of products at the time the Corporation has transferred to the buyer the significant risks and rewards of ownership; the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognized as it is earned on an accrual basis.

##### **Stripping and Clearing Costs**

Stripping and clearing costs incurred during the development of a pit or mine are capitalized in resource properties. Stripping and clearing costs incurred subsequent to commencement of production are variable production costs that are included in the cost of inventory produced during the period in which they are

# ATHABASCA MINERALS INC.

## Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

### Note 5 – Significant Accounting Policies (continued)

#### Stripping and Clearing Costs (continued)

incurred, unless the stripping and clearing activities can be shown to give rise to future benefits from the mineral property, in which case the stripping and clearing costs would be capitalized. Future benefits arise when stripping and clearing activities increases the future output of the pit or mine by providing access to an extension of an ore body or to a new ore body. Capitalized stripping costs are depleted based on the unit-of-production method using proven and probable mineral reserves as the depletion base.

#### Inventory

Work-in-process and finished goods inventory are valued at the lower of average production cost and net realizable value. Net realizable value is calculated as the estimated selling price at the measurement date less future costs required to sell inventories.

Production costs are included in work-in-process inventory, including applicable amortization and depletion of estimated resource properties. The cost of finished goods includes, when applicable, the associated costs of crushing and hauling.

Any write down of inventory is recognized as a charge against profit or loss in the period the write down occurs.

#### Intangible Assets

Intangible assets include management contracts relating to the management of aggregate pits, which are carried at cost and amortized on a straight-line basis over the expected life of the contract, or the remaining life of the mine if shorter. The Corporation has not identified intangible assets for which the expected useful life is indefinite.

#### Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. The Corporation provides for depreciation on its property and equipment using the following methods and rates:

|   | <u>Method</u>      | <u>Rate</u> |
|---|--------------------|-------------|
| Onsite buildings and fences                 | Straight line      | 10 years    |
| Office complex                              | Straight line      | 15 years    |
| Scale and scale houses                      | Straight line      | 10 years    |
| Exploration and development tangible assets | Unit-of-production |             |
| Equipment                                   |                    |             |
| Crushing equipment                          | Unit-of-production |             |
| Mobile home                                 | Straight line      | 10 years    |
| Computer software                           | Straight line      | 1-3 years   |
| Office equipment                            | Straight line      | 3 years     |
| Computer hardware                           | Declining balance  | 30%         |
| Large equipment                             | Declining balance  | 20%         |
| Vehicles                                    | Declining balance  | 30%         |

Costs for property and equipment include all costs required to bring the asset into its intended use by the Corporation. Significant parts of an item of property and equipment with different useful lives are recognized and depreciated separately. Depreciation commences when the asset is available for use. The assets residual values, useful lives and method of depreciation are reviewed each financial year and adjustments are accounted for prospectively if appropriate. Repairs and maintenance expenditures are

## **ATHABASCA MINERALS INC.**

### **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

#### **Note 5 – Significant Accounting Policies (continued)**

##### **Property and Equipment** (continued)

charged to operations as incurred. Major improvements and replacements, which extend the useful life of an asset, are capitalized. An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognizing of an asset is included in profit or loss in the period the asset is derecognized.

##### **Resource Properties and Related Expenditures**

Direct mineral exploration, evaluation and development costs are capitalized on a specific project basis until such time as a resource is defined or the project is abandoned. Any related decommissioning and restoration provisions are capitalized on an individual project basis. Costs for properties that are abandoned are written off. The capitalized costs will be amortized on the basis of units produced in relation to the proven and probable reserves available on the related property following commencement of production. Exploration and evaluation expenditures incurred before the Corporation has obtained the legal right to explore an area are expensed as incurred.

The capitalized costs do not necessarily reflect the current or future values since the recoverability of the amounts capitalized for undeveloped mineral properties is dependent upon the determination of an economically recoverable resource, confirmation of the Corporation's interest in the underlying mineral properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyance history characteristic of many mineral properties. The Corporation has investigated title to all of its mineral properties and, to the best of its knowledge all of its properties are in good standing.

The Corporation may conclude that it will receive future economic benefits from an exploration property, which is generally when a bankable feasibility study has been completed and economically recoverable mineral resources for the project are determined. At this stage, the property is considered to be under development. Previously capitalized exploration costs related to the property are at that time tested for impairment and are then transferred to development costs. Subsequent development costs are capitalized, including any costs incurred to increase or extend the life of existing production. Once a mineral property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for development programs that extend the life or enhance the value of a property, which will be deferred and depleted over the useful life of the related assets. On the commencement of commercial production, net capitalized costs will be charged to operations on a unit-of-production basis, by property, using estimated proven and probable reserves as the depletion base.

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When it is determined that a project or property will be abandoned the costs are written-off, or if its carrying value has been impaired, the costs are written down to the recoverable amount, which is the higher of fair value less costs to sell and value in use. Where future cash flows are not reasonably determinable, mineral property interests are evaluated for impairment based on results of exploration work, management's intent and ability to retain title to the property, and determination of the extent to which future exploration programs are warranted and likely to be funded.

##### **Income Per Common Share**

Income per common share is calculated by dividing the net income for the period by the weighted average number of common shares outstanding during the financial reporting period. Diluted income per share is calculated by adjusting the weighted average number of shares for the dilutive effect of options and warrants. The computation of diluted income per share assumes the conversion, exercise or contingent

# **ATHABASCA MINERALS INC.**

## **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

### **Note 5 – Significant Accounting Policies (continued)**

#### **Income Per Common Share (continued)**

issuance of securities only when such conversion would have a dilutive effect on income. It is assumed that outstanding options, warrants and similar items are exercised or converted into shares and that the proceeds that would be realized upon such exercise or conversion are used to purchase common shares at the average market price per share during the relevant financial reporting period.

#### **Decommissioning and Restoration Provision**

The Corporation recognizes a liability for restoration, rehabilitation and environmental obligations associated with long-lived assets, including the abandonment of mineral properties and returning properties to the condition required in order to satisfy regulatory obligations.

The Corporation records the present value of the estimated legal and constructive obligations required to restore the exploration sites in the period incurred, along with a corresponding increase in the carrying value of the related asset. The present value of the estimated future cash outflows to settle the obligation is determined using a risk-free pre-tax discount rate that reflects the time value of money. The liability is subsequently adjusted for the passage of time, and is recognized as a finance cost in profit or loss. The liability is also adjusted due to revisions in either the timing or amount of the original estimated cash flows associated with the liability, or for changes to the current market-based discount rate. Changes resulting from revisions to the timing or amount of the original estimate of undiscounted retirement obligation cash flows are recognized as an increase or decrease in the carrying amount of the decommissioning and restoration provision with a corresponding increase or decrease in the carrying value of the related asset.

#### **Impairment of Non-financial Assets**

For the purposes of assessing impairment, the recoverable amount of an asset, which is the higher of its fair value less costs to sell and its value in use, is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the asset is included in the cash-generating unit to which it belongs and the recoverable amount of the cash generating unit is estimated. As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. Intangible assets with an indefinite useful life and an intangible asset not yet available for use are also tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the asset is impaired such as decreases in mineral prices, an increase in operating costs, or a decrease in mineable reserves. The Corporation also considers net book value of the asset, the ongoing costs required to maintain and operate the asset, and the use, value and condition of the asset.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Future cash flows used in the determination of value in use are estimated based on expected future production, recoverability of reserves, commodity prices, operating costs, decommissioning and restoration costs, as well as capital costs. Management estimates of future cash flows are subject to risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the recoverable amounts of assets, including the Corporation's investments in mineral properties.

Fair value less costs to sell is determined with reference to discounted estimated future cash flow analysis

## **ATHABASCA MINERALS INC.**

### **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

#### **Note 5 – Significant Accounting Policies (continued)**

##### **Impairment of Non-financial Assets (continued)**

or on recent transactions involving dispositions of similar properties.

An impairment loss for a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is allocated on a pro rata basis to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist or may have decreased. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, however only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

##### **Share-based Payments**

The Corporation grants stock options to directors, officers, employees and consultants of the Corporation pursuant to a stock option plan. The fair value of options granted is recognized as an expense with a corresponding increase in contributed surplus.

Share-based payments to employees and others providing similar services are measured on the grant date at the fair value of the instruments issued. Fair value is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value.

Share-based payments to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Any consideration received upon exercise of options is credited to share capital and the associated amounts originally recorded in contributed surplus are transferred to share capital.

In the event options are forfeited prior to vesting, the amount recognized in prior periods in relation to the option is reversed.

##### **Leases**

Leases are classified as finance or operating leases. A lease is classified as a finance lease if it effectively transfers substantially the entire risks and rewards incidental to ownership.

At the commencement of the lease the Corporation recognizes finance leases as an asset acquisition and an assumption of an obligation in the balance sheet at the amounts equal to the lower of the fair value of the leased property, or the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the incremental borrowing rate is used. The interest element of the lease payment is recognized as finance cost over the lease term to achieve a constant periodic rate of interest on the remaining balance of the liability. Any initial direct costs of the lessee are added to the amount recognized as an asset. The useful life and depreciation method is determined on a consistent basis with the Corporation's policies for property and equipment. The asset is depreciated over the shorter of the

# **ATHABASCA MINERALS INC.**

## **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

### **Note 5 – Significant Accounting Policies (continued)**

#### **Leases** (continued)

lease term and its useful life.

All other leases are accounted for as operating leases, wherein payments are expensed on a straight-line basis over the term of the lease.

#### **Provisions**

Liabilities are recognized when the Corporation has a present legal or constructive obligation arising as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

A provision is a liability of uncertain timing or amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using the pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance cost.

#### **Income Taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity and other comprehensive income, in which case the tax expense is also recognized directly in equity and other comprehensive income, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the year in which temporary differences are expected to be recovered or settled. Changes to these balances, including changes due to changes to income tax rates, are recognized in profit or loss in the period in which they occur.

Deferred tax assets are recognized to the extent future recovery is probable. Deferred tax assets are reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

#### **Derivative instruments**

Derivative instruments, including certain derivative instruments embedded in other contracts and instruments designated for hedging activities are recognized as either assets or liabilities in the balance sheet and measured at fair value. The Corporation does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. Any change in the fair value of a derivative or an embedded derivative not designated as a hedging instrument is recognized as a gain or loss in profit or loss.

#### **Financial instruments**

The Corporation has classified its financial assets and liabilities as follows:



# ATHABASCA MINERALS INC.

## Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

### Note 5 – Significant Accounting Policies (continued)

#### Financial instruments (continued)

| <u>Financial statement item</u> | <u>Classification</u>       | <u>Measurement</u> |
|---------------------------------|-----------------------------|--------------------|
| Cash                            | Loans and receivables       | Amortized cost     |
| Accounts receivable             | Loans and receivables       | Amortized cost     |
| Land use agreement receivable   | Loans and receivables       | Amortized cost     |
| Short-term investment           | Held to maturity            | Amortized cost     |
| Long-term deposits              | Loans and receivables       | Amortized cost     |
| Restricted cash                 | Loans and receivables       | Amortized cost     |
| Trade and other payables        | Other financial liabilities | Amortized cost     |
| Long-term debt                  | Other financial liabilities | Amortized cost     |

#### **i. Non-derivative financial assets**

The Corporation classifies non-derivative financial assets as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets as appropriate.

##### Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets in this category are measured at fair value, with any changes therein recognized in profit and loss when incurred, along with any attributable transaction costs.

##### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

##### Held to maturity

A financial asset that has fixed or determinable payments and fixed maturity, and which the Corporation has the positive intention and ability to hold until maturity. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held to maturity investments are measured at amortized cost using the effective interest method.

##### Available for sale

Financial assets classified as available for sale are initially recognized at fair value and subsequently measured at fair value with any changes in fair value recognized in other comprehensive income.

#### **ii. Non-derivative financial liabilities**

The Corporation's non-derivative financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities, based on the purpose for which the liability was incurred.

##### Other financial liabilities

These financial liabilities are recognized initially at fair value net of any directly attributable transactions costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

# ATHABASCA MINERALS INC.

## Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

### Note 5 – Significant Accounting Policies (continued)

#### Financial instruments (continued)

##### ii. Non-derivative financial liabilities (continued)

###### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially and subsequently measured at fair value with changes in fair values recognized in profit or loss.

##### iii. Impairment of financial assets

At each reporting date, the Corporation assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

#### Borrowing Costs

Borrowing costs are capitalized when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to prepare for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

#### **New standards not yet adopted**

##### i. Scope of the reporting entity

IFRS 10, “Consolidated Financial Statements” and IFRS 12, “Disclosure of Interests in Other Entities”, were issued and replace IAS 27, “Consolidated and Separate Financial Statements” and Standing Interpretations Committee (“SIC”) 12, “Consolidation - Special Purpose Entities” for guidance on the consolidation model which identifies the elements of control and provides a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. These standards are effective for annual periods beginning on or after January 1, 2013. The Corporation is currently evaluating the impact of the new standards.

##### ii. Stripping costs in the production phase of a surface mine

IFRIC 20, “Stripping Costs in the Production Phase of a Surface Mine” considers when and how to account separately for benefits arising from stripping activity, as well as how to measure these benefits both initially and subsequently. In surface mining operations, entities may find it necessary to remove mine waste materials (overburden) to gain access to mineral ore deposits. This waste removal activity is known as ‘stripping.’ IFRIC 20 only deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine (‘production stripping costs’). This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation is currently evaluating the impact of this new standard.

##### iii. Joint arrangements

IFRS 11, “Joint Arrangements” was issued and supersedes IAS 31, “Interests in Joint Ventures” and SIC 13, “Jointly Controlled Entities-Non-monetary Contributions by Venturers”, to establish principles for financial reporting by parties to a joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation is currently evaluating the impact of this new standard.

# ATHABASCA MINERALS INC.

## Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

### New standards not yet adopted (continued)

#### iv. Fair value measurement

IFRS 13, "Fair Value Measurement" was issued to set out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. This standard is effective for annual periods beginning on or after January 1, 2013. The Corporation is currently evaluating the impact of this standard.

#### v. Employee benefits

IAS 19, "Employee Benefits", was amended to eliminate the options to defer, or recognize in full in profit or loss, actuarial gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013. The Corporation is currently evaluating the impact of these amendments.

#### vi. Financial instruments classification and measurement

IFRS 9, "Financial Instruments" was issued and will replace IAS 39, "Financial Instruments: Recognition and Measurement." The new standard has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value, and a debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows that represent principal and interest. The new standard is effective for annual periods beginning on or after January 1, 2015. The Corporation is currently evaluating the impact of this new standard.

### Note 6 – Inventory

Inventory consists of the following:

|                           | <b>February<br/>28, 2013</b> | <b>November<br/>30, 2012</b> |
|---------------------------|------------------------------|------------------------------|
| Stockpiled crushed gravel | \$ 2,452,216                 | \$ 1,385,400                 |
| Stockpiled sand           | <u>109,908</u>               | <u>115,542</u>               |
|                           | <u>\$ 2,562,124</u>          | <u>\$ 1,500,942</u>          |

Inventory with a production cost of \$1,436,553 was sold during the three months ended February 28, 2013 and forms part of aggregate operating expenses.

### Note 7 – Long-Term Deposits

|                                    | <b>February<br/>28, 2013</b> | <b>November<br/>30, 2012</b> |
|------------------------------------|------------------------------|------------------------------|
| Security deposits on gravel leases | \$ 256,150                   | \$ 256,150                   |
| Deposits on lease obligations      | <u>110,696</u>               | <u>110,696</u>               |
|                                    | <u>\$ 366,846</u>            | <u>\$ 366,846</u>            |

### Note 8 – Restricted Cash

|  | <b>February<br/>28, 2013</b> | <b>November<br/>30, 2012</b> |
|--|------------------------------|------------------------------|
|  | <u>\$ 223,216</u>            | <u>\$ 213,015</u>            |

Under its long-term land use agreement with a camp provider (see Note 10) the Corporation has received and has placed funds on deposit totalling \$173,216 to be first applied toward any costs for reclamation of the

# ATHABASCA MINERALS INC.

## Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

### Note 8 – Restricted Cash (continued)

Poplar Creek site.

The Corporation has placed funds on deposit totalling \$50,000 to be applied toward reclamation of the House River pit.

### Note 9 – Property and Equipment

|  | Crushing<br>Spread | Equipment   | Onsite<br>buildings and<br>fences | Office<br>Complex | Scales and<br>scale houses | Total        |
|--|--------------------|-------------|-----------------------------------|-------------------|----------------------------|--------------|
| Cost at:   | \$                 | \$          | \$                                | \$                | \$                         | \$           |
| November 30, 2011                                      | -                  | 715,309     | 95,760                            | 170,051           | 273,051                    | 1,254,171    |
| additions  | 3,676,482          | 6,704,905   | 678,366                           | 3,816             | 282,875                    | 11,346,444   |
| disposals  | -                  | (2,092,751) | (229,000)                         | -                 | -                          | (2,321,751)  |
| write-offs   | -                  | (48,013)    | -                                 | -                 | -                          | (48,013)     |
| November 30, 2012                                      | 3,676,482          | 5,279,450   | 545,126                           | 173,867           | 555,926                    | 10,230,851   |
| additions  | 1,767              | 391,418     | 33,387                            | -                 | 73,769                     | 500,341      |
| write-offs   | -                  | -           | -                                 | -                 | -                          | -            |
| February 28, 2013                                      | 3,678,249          | 5,670,868   | 578,513                           | 173,867           | 629,695                    | 10,731,192   |
| <b>Accumulated Depreciation at:</b>                    |                    |             |                                   |                   |                            |              |
| November 30, 2011                                      | -                  | 397,163     | 27,375                            | 12,502            | 83,097                     | 520,137      |
| additions  | 40,850             | 493,139     | 28,553                            | 11,464            | 45,315                     | 619,321      |
| disposals  | -                  | (50,649)    | (2,862)                           | -                 | -                          | (53,511)     |
| write-offs   | -                  | (23,186)    | -                                 | -                 | -                          | (23,186)     |
| November 30, 2012                                      | 40,850             | 816,467     | 53,066                            | 23,966            | 128,412                    | 1,062,761    |
| additions  | -                  | 248,658     | 14,463                            | 2,898             | 15,742                     | 281,761      |
| write-offs   | -                  | -           | (2,862)                           | -                 | -                          | (2,862)      |
| February 28, 2013                                      | 40,850             | 1,065,125   | 64,667                            | 26,864            | 144,154                    | 1,341,660    |
| <b>Carrying value at:</b>                              |                    |             |                                   |                   |                            |              |
| November 30, 2011                                      | -                  | 318,146     | 68,385                            | 157,549           | 189,954                    | 734,034      |
| November 30, 2012                                      | 3,635,632          | 4,462,983   | 492,060                           | 149,901           | 427,514                    | 9,168,090    |
| February 28, 2013                                      | 3,637,399          | 4,605,743   | 513,846                           | 147,003           | 485,541                    | 9,389,532    |
| <b>Carrying value of leased assets included above:</b> |                    |             |                                   |                   |                            |              |
| Period ending February 28, 2013                        | 3,637,399          | 2,214,435   | 300,323                           | -                 | 65,377                     | 6,217,534    |
| Period ending November 30, 2012                        | 3,635,632          | 2,111,769   | 305,454                           | -                 | 67,131                     | 6,119,986    |
| <b>Depreciation expense for the following periods:</b> |                    |             |                                   |                   |                            | <b>Total</b> |
|  |                    |             |                                   |                   |                            | <b>\$</b>    |
| Period ending February 28, 2013                        |                    |             |                                   |                   |                            | 281,761      |
| Period ending February 29, 2012                        |                    |             |                                   |                   |                            | 31,510       |

## ATHABASCA MINERALS INC.

### Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

#### Note 10 – Land Use Agreement Receivable

|   | <u>February<br/>28, 2013</u> | <u>November<br/>30, 2012</u> |
|---|------------------------------|------------------------------|
| Land use agreement receivable                         | \$ 1,263,876                 | \$ 1,620,860                 |
| Less current portion of land use agreement receivable | <u>547,835</u>               | <u>660,873</u>               |
| Long-term land use agreement receivable               | <u>\$ 716,041</u>            | <u>\$ 959,987</u>            |

The Corporation has recognized a land use agreement receivable in connection with a long-term land use agreement with a work camp provider, whereby the Corporation transferred a 42 acre parcel of developed land out of the depleted portion of the Corporation's miscellaneous lease at Poplar Creek to the work camp provider. During fiscal 2011, the work camp provider constructed a lodge on the lease that can accommodate approximately 500 workers, primarily employed in the oil sands industry. Pursuant to the land use agreement, the work camp provider pays monthly fees and daily accommodation fees to the Corporation. The work camp provider will also contribute toward the estimated cost of decommissioning and restoration, in aggregate not to exceed the non-refundable amount of \$300,000, which the Corporation will maintain in a restricted cash account to be first applied toward any costs for decommissioning and restoration of the Poplar Creek site. The land use agreement commenced on March 1, 2011 and expires on October 19, 2015. The agreement will automatically renew for an equivalent term period, under the same terms and conditions, subject to amendments agreed to in writing by both parties, unless otherwise terminated earlier by written mutual agreement by both parties.

In determining the land use agreement receivable carrying value and the gain on land use agreement, an estimate of total future receipts under the land use agreement is required. The total estimated proceeds receivable by the Corporation under the agreement include both a fixed monthly component and estimated proceeds for daily work camp accommodation.

During June 2012, the work camp provider began operating a second 500 worker lodge that it had constructed on the 42 acre parcel of developed land the Corporation had transferred during fiscal 2011. The second lodge is also governed pursuant to the land agreement entered in 2011 between the Corporation and the work camp provider. The Corporation will not receive an increased fixed monthly fee; however, the Corporation will receive proceeds for actual daily accommodation at the second lodge at the same daily rate received at the first lodge. The work camp provider's contribution toward the estimated cost of decommissioning and restoration is unaffected by the addition of the second lodge, remaining not to exceed \$300,000 in aggregate.

At February 28, 2013 management revalued the portion of the land use agreement receivable attributable to the second lodge at \$676,375. The revaluation was determined with consideration that the second lodge was not in operation during the majority of the first quarter, as the primary tenant had abandoned its involvement in an oil sand project, resulting in reduced accommodation requirements for its work force. The lodge is available to be rented to other tenants by the work camp provider. Total future cash flow in the amount of \$706,110 from estimated receipts for daily occupancy at the second lodge was discounted at a rate of 3.00%, resulting in a decrease of \$227,562 in carrying value of the land use agreement receivable, and was charged against income at February 28, 2013.

At February 28, 2013 management revalued the portion of the land use agreement receivable attributable to the first lodge at \$587,501. The revaluation was determined with reference to the monthly average accommodation rate experienced since inception at the first lodge, covering the period April 2011 through February 28, 2013. The future accommodation rate was projected to remain constant through October 19, 2015 at the actual historic level. Total future cash flow from estimated future receipts was then discounted at a rate of 3.00%, resulting in a decrease of \$73,530 in carrying value of the land use agreement receivable, and was charged against income at February 28, 2013.

# ATHABASCA MINERALS INC.

## Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

### Note 10 – Land Use Agreement Receivable (continued)

#### Components of Loss on Land Use Agreement- Three months ended February 28, 2013:

|   |                        |
|---|------------------------|
| Lodge 1: Revaluation of estimated future discounted receipts                            | \$( 36,926)            |
| Actual receipts below estimated receipts at lodge 1 during first quarter of fiscal 2013 | ( 36,604)              |
| Decreased future reclamation costs attributable to the land use agreement (Note 12)     | 16,818                 |
| Lodge 2: Revaluation of estimated future discounted receipts                            | (144,578)              |
| Actual receipts below estimated receipts at lodge 2 during first quarter of fiscal 2013 | <u>( 82,984)</u>       |
| <br>Loss on Land Use Agreement  | <br><u>\$(284,274)</u> |

The land use agreement receivable combined current and long-term carrying value of \$1,263,876 at February 28, 2013 is the estimated future discounted receipts from both lodges subsequent to February 28, 2013.

The average daily work camp occupancy rate used in the determination of total future proceeds is an estimate; therefore actual future proceeds under the land use agreement could vary significantly. Future changes in land use agreement receivable, if any, could have a material impact and would be reflected prospectively, as a change in accounting estimate.

### Note 11 – Resource Properties

|                                       | <u>February<br/>28, 2013</u> | <u>November<br/>30, 2012</u> |
|---------------------------------------|------------------------------|------------------------------|
| Land                                  | \$ 157,100                   | \$ 157,100                   |
| Mineral permits                       | 45,000                       | 46,250                       |
| Mineral leases                        | 28,770                       | 28,770                       |
| Decommissioning and Restoration costs | 518,660                      | 572,730                      |
| Exploration costs                     | 3,537,508                    | 3,151,690                    |
| Development costs                     | -                            | -                            |
| Production costs                      | <u>1,798,660</u>             | <u>1,939,205</u>             |
|                                       | <u>\$ 6,085,698</u>          | <u>\$ 5,895,745</u>          |

The land is located near Peace River, Alberta and was purchased as a potential gravel resource property.

The mineral permits are located largely in the Fort McMurray and Canadian Shield areas. They have a term of 14 years covering seven assessment periods of two years each. The spending commitment to retain the existing permits is \$5 per hectare for the first two year period, \$10 per hectare for the second two year period, \$10 per hectare for the third two year period, \$15 per hectare for the fourth two year period, \$15 per hectare for the fifth two year period, \$15 per hectare for the sixth two year period and \$15 per hectare for the seventh two year period.

The Corporation has seven mineral leases covering 12,800 hectares containing silica sand in the Wood Buffalo region of Alberta, referred to by the Corporation as the Firebag property, a portion of which the Corporation may develop for the production of frac sand. The Corporation has four mineral leases covering 5,835.5 hectares containing salt in the area of Boyle, Alberta which the Corporation may develop for the production of salt. All leases are for a fifteen year period expiring May 11, 2026. Annual lease rental of \$3.50 per hectare is required as payment to maintain a mineral lease in good standing.

During the year ended November 30, 2011 the Corporation recognized an obligation for future decommissioning and restoration costs on its Kearl pit. A determination of the fair value of the Kearl pit liability assumes undiscounted estimated future cash flows needed to settle the liability incurred as at February 28, 2013 of approximately \$272,532 which is expected to be expended at the termination of the

## ATHABASCA MINERALS INC.

### Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

#### Note 11 – Resource Properties (continued)

surface materials lease in 2021. These estimated future cash flows have been discounted at a risk-free rate of 1.58%, resulting in a present value of \$229,348, and included in decommissioning and restoration costs (net of \$4,711 accumulated depreciation).

During the year ended November 30, 2012 the Corporation recognized an obligation for future decommissioning and restoration costs on its House River pit. A determination of the fair value of the House River pit liability assumes undiscounted estimated future cash flows needed to settle the liability incurred to February 28, 2013 of approximately \$244,878 which is expected to be expended at the termination of the surface materials lease in 2021. These estimated future cash flows have been discounted at a risk-free rate of 1.66%, resulting in a present value of \$162,855 and included in decommissioning and restoration costs (net of \$46,778 accumulated depreciation).

During the year ended November 30, 2012 the Corporation recognized an obligation for future decommissioning and restoration costs on its Logan pit. A determination of the fair value of the Logan pit liability assumes undiscounted estimated future cash flows needed to settle the liability incurred to February 28, 2013 of approximately \$198,914 which is expected to be expended at the termination of the surface materials lease in 2020. These estimated future cash flows have been discounted at a risk-free rate of 1.58%, resulting in a present value of \$126,457 and included in decommissioning and restoration costs (net of \$48,795 accumulated depreciation).

The following provides the land area covered by the Corporation's mineral permits:

|   | <b>Three months<br/>ended<br/>February 28,<br/>2013</b> | <b>Year ended<br/>November 30,<br/>2012</b> |
|---|---|---|
|   | (hectares)  | (hectares)                                  |
| Balance at the beginning of the period          | 439,331   | 227,282                                     |
| Mineral permits acquired during the period      | 109,934   | 264,181                                     |
| Minerals permits relinquished during the period | <u>(10,880)</u>   | <u>(52,132)</u>                             |
| Balance at end of the period                    | <u><u>538,385</u></u>                                   | <u><u>439,331</u></u>                       |

The exploration, development and production costs reflected on the following resource properties schedule were incurred in Northern Alberta, primarily in the Fort McMurray area.

A description of each resource property reported in the following chart is provided:

#### Logan pit

Logan is an 80.37-acre corporate owned pit located approximately 160 kilometers south of Fort McMurray. National Instrument 43-101 Resource Calculations for the Logan aggregate deposit includes 1,357,000 tonnes of "indicated" gravel and a further 662,000 tonnes of "inferred" gravel. The surface material lease on this property expires in 2020.

#### Kearl pit

Kearl is a 79.99-acre corporate owned pit located approximately 60 kilometers east of the Susan Lake gravel pit, near Fort McMurray. National Instrument 43-101 Resource Calculations for the Logan aggregate deposit includes 3,770,330 tonnes and 7,636,390 tonnes of "indicated" gravel and sand respectively, and a further 434,000 tonnes of "inferred" gravel. The surface material lease on this property expires in 2021.

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#### **Note 11 – Resource Properties (continued)**

##### House River pit

House River is a 79.98-acre corporate owned pit located approximately 11 kilometers east of highway 63 on the House River, near Fort McMurray. A National Instrument 43-101 Resource Calculations for House River pit has not been performed. During the fiscal year ended November 30, 2012 the Corporation sold 253,500 tonnes from this pit during its first year of production. The surface material lease on this property expires in 2021.

##### Pelican Hill pit

Pelican Hill is a 79.7-acre corporate owned pit located approximately 70 kilometers southeast of the Hamlet of Wabasca, near Fort McMurray. A National Instrument 43-101 Resource Calculations for Pelican Hill pit has not been performed. The Corporation received surface material lease approval on this mixed sand and gravel pit in June, 2011, which expires in 2021. Given its location, the pit will be available for year-round aggregates extraction and sales.

##### Boyle Project

The Corporation holds four mineral leases covering 5,835.5 hectares containing salt in the northeast area of Boyle, Alberta which the Corporation is considering for the development of salt. The Corporation maintains a 100% interest in these mineral leases.

##### Firebag Project

The Corporation holds seven mineral leases covering 12,800 hectares in the Wood Buffalo region of Alberta. The leases contain silica sand. The Corporation is in discussions with the provincial government in order to obtain approvals for the development of a portion of this property for the production of frac sand. The Corporation maintains a 100% interest in these mineral leases.

##### Canadian Shield

The Corporation conducted exploration for lithium and other rare earth elements in the northeast corner of Alberta near the NWT border. During the year ended November 30, 2012 the project was abandoned on the basis that the economic potential of the project did not justify continued investment.

##### Birch Mountain

The Corporation holds mineral permits on 36,864 hectares in the Wood Buffalo region of Alberta in the Birch Mountain area approximately 150 kilometers north of Fort McMurray on which it has identified a deposit of silica sand. The Corporation will apply to obtain mineral leases on a portion of this property prior to these permits expiring during 2013.

##### Dover Project

The Corporation holds mineral permits on 39,536 hectares in the Wood Buffalo region of Alberta in the Birch Mountain area approximately 150 kilometers north of Fort McMurray. On the property is a salt formation which the Corporation has identified and evaluated. The Corporation drilled a salt test well that terminated at a depth of 490 meters. Studies have indicated that this salt would provide a suitable feedstock for a Chlor-Alkali chemical plant to supply the oil sands. Management feels the property may be usable for housing industrial waste products or for storage of petroleum products, and is assessing its strategic options for this project.

##### All Other Projects

This project category consists of approximately 70 individual projects which have not yet reached the stage where they have been separately broken out. The related properties are located in the Fort McMurray area, and principally pertain to the exploration of gravel, limestone, granite and other minerals.



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**Note 11 – Resource Properties (continued)**

Exploration, Development and Production Costs February 28, 2013

| Exploration Costs   | Logan Pit         | Kearl Pit           | House River Pit  | Pelican Hill Pit | Boyle Project    | Firebag Project   | Canadian Shield | Birch Mountain    | Dover Project       | All Other Projects  | Total               |
|---|-------------------|---------------------|------------------|------------------|------------------|-------------------|-----------------|-------------------|---------------------|---------------------|---------------------|
| Balance at November 30, 2012  | \$ -              | -                   | -                | 70,838           | 72,758           | 416,197           | -               | 431,993           | 1,006,319           | 1,153,585           | \$3,151,690         |
| Three months ended February 28, 2013 activity                                 |                   |                     |                  |                  |                  |                   |                 |                   |                     |                     |                     |
| Consulting fees   | -                 | -                   | -                | -                | -                | 3,825             | -               | 385               | -                   | 60,185              | 64,395              |
| Testing and drilling  | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | 183,633             | 183,633             |
| Equipment and aircraft rental   | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | 1,725               | 1,725               |
| Land leases   | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | 667                 | 667                 |
| Clearing  | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | 43,915              | 43,915              |
| Salaries and employee benefits  | -                 | -                   | -                | 174              | -                | 185               | -               | -                 | -                   | 39,427              | 39,786              |
| Travel  | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | 38,101              | 38,101              |
| Other   | -                 | -                   | -                | 25               | -                | 15                | -               | -                 | -                   | 13,555              | 13,595              |
| Abandoned projects  | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | -                   | -                   |
| Total   | -                 | -                   | -                | 199              | -                | 4,025             | -               | 385               | -                   | 381,208             | 385,817             |
| Transferred to Development Costs  | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | -                   | -                   |
| <b>Cumulative Exploration Costs- February 28, 2013</b>                        | <b>\$ -</b>       | <b>-</b>            | <b>-</b>         | <b>71,037</b>    | <b>72,758</b>    | <b>420,222</b>    | <b>-</b>        | <b>432,378</b>    | <b>1,006,319</b>    | <b>1,534,793</b>    | <b>\$3,537,507</b>  |
| <b>Development Costs</b>  |                   |                     |                  |                  |                  |                   |                 |                   |                     |                     |                     |
| Balance at November 30, 2012  | \$ -              | -                   | -                | -                | -                | -                 | -               | -                 | -                   | -                   | \$ -                |
| Three months ended February 28, 2013 activity                                 |                   |                     |                  |                  |                  |                   |                 |                   |                     |                     |                     |
| Intangible costs-   |                   |                     |                  |                  |                  |                   |                 |                   |                     |                     |                     |
| Testing and drilling  | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | -                   | -                   |
| Stripping   | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | -                   | -                   |
| Wages   | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | -                   | -                   |
| Fuel  | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | -                   | -                   |
| Other   | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | -                   | -                   |
| Total   | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | -                   | -                   |
| Transferred to Production Costs   | -                 | -                   | -                | -                | -                | -                 | -               | -                 | -                   | -                   | -                   |
| <b>Cumulative Development Costs- February 28, 2013</b>                        | <b>-</b>          | <b>-</b>            | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>        | <b>-</b>          | <b>-</b>            | <b>-</b>            | <b>-</b>            |
| <b>Production Costs</b>   |                   |                     |                  |                  |                  |                   |                 |                   |                     |                     |                     |
| Balance at November 30, 2012  | \$ 612,976        | 1,247,794           | 78,435           | -                | -                | -                 | -               | -                 | -                   | -                   | \$ 1,939,205        |
| Three months ended February 28, 2013 activity                                 |                   |                     |                  |                  |                  |                   |                 |                   |                     |                     |                     |
| Accumulated Depletion   | (140,456)         | (89)                | -                | -                | -                | -                 | -               | -                 | -                   | -                   | (140,545)           |
| <b>Cumulative Production Costs- February 28, 2013</b>                         | <b>472,520</b>    | <b>1,247,705</b>    | <b>78,435</b>    | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>        | <b>-</b>          | <b>-</b>            | <b>-</b>            | <b>1,798,660</b>    |
| <b>Total Exploration, Development and Production Costs- February 28, 2013</b> | <b>\$ 472,520</b> | <b>\$ 1,247,705</b> | <b>\$ 78,435</b> | <b>\$ 71,037</b> | <b>\$ 72,758</b> | <b>\$ 420,222</b> | <b>\$ -</b>     | <b>\$ 432,378</b> | <b>\$ 1,006,319</b> | <b>\$ 1,534,793</b> | <b>\$ 5,336,167</b> |

| Exploration Costs   | Logan Pit         | Kearl Pit         | House River Pit  | Pelican Hill Pit | Boyle Project    | Firebag Project   | Canadian Shield   | Birch Mountain    | Dover Project       | All Other Projects  | Total               |
|---|-------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Balance at November 30, 2011  | \$ -              | -                 | -                | 70,278           | 50,028           | 285,712           | 117,413           | 431,418           | 1,004,544           | 1,145,003           | \$3,104,396         |
| Three months ended February 29, 2012 activity                                 |                   |                   |                  |                  |                  |                   |                   |                   |                     |                     |                     |
| Consulting fees   | -                 | -                 | -                | -                | -                | 7,875             | 400               | -                 | -                   | 31,528              | 39,803              |
| Testing and drilling  | -                 | -                 | -                | -                | -                | 9,066             | -                 | -                 | -                   | 19,807              | 28,873              |
| Equipment and aircraft rental   | -                 | -                 | -                | -                | -                | -                 | -                 | -                 | -                   | 39,546              | 39,546              |
| Land leases   | -                 | -                 | -                | -                | 5,716            | 12,260            | -                 | -                 | -                   | -                   | 17,976              |
| Salaries and employee benefits  | -                 | -                 | -                | -                | -                | 6,393             | -                 | -                 | -                   | 18,570              | 24,963              |
| Travel  | -                 | -                 | -                | -                | -                | 7,939             | -                 | -                 | -                   | 10,566              | 18,505              |
| Other   | -                 | -                 | -                | -                | -                | 13                | -                 | -                 | -                   | 4,854               | 4,867               |
| Abandoned projects  | -                 | -                 | -                | -                | -                | -                 | -                 | -                 | -                   | -                   | -                   |
| Total   | -                 | -                 | -                | -                | 5,716            | 43,546            | 400               | -                 | -                   | 124,871             | 174,533             |
| Transferred to Development Costs  | -                 | -                 | -                | -                | -                | -                 | -                 | -                 | -                   | -                   | -                   |
| <b>Cumulative Exploration Costs- February 29, 2012</b>                        | <b>\$ -</b>       | <b>-</b>          | <b>-</b>         | <b>70,278</b>    | <b>55,744</b>    | <b>329,258</b>    | <b>117,813</b>    | <b>431,418</b>    | <b>1,004,544</b>    | <b>1,269,874</b>    | <b>\$3,278,929</b>  |
| <b>Development Costs</b>  |                   |                   |                  |                  |                  |                   |                   |                   |                     |                     |                     |
| Balance at November 30, 2011  | \$ 236,082        | 949,976           | 37,426           | -                | -                | -                 | -                 | -                 | -                   | -                   | \$ 1,223,484        |
| Three months ended February 29, 2012 activity                                 |                   |                   |                  |                  |                  |                   |                   |                   |                     |                     |                     |
| Intangible costs-   |                   |                   |                  |                  |                  |                   |                   |                   |                     |                     |                     |
| Testing and drilling  | -                 | 600               | 33,272           | -                | -                | -                 | -                 | -                 | -                   | -                   | 33,872              |
| Stripping   | -                 | -                 | -                | -                | -                | -                 | -                 | -                 | -                   | -                   | -                   |
| Wages   | 1,129             | 1,439             | 4,281            | -                | -                | -                 | -                 | -                 | -                   | -                   | 6,849               |
| Fuel  | -                 | 4,060             | 505              | -                | -                | -                 | -                 | -                 | -                   | -                   | 4,565               |
| Other   | -                 | 6,486             | (4,062)          | -                | -                | -                 | -                 | -                 | -                   | -                   | 2,424               |
| Total   | 237,211           | 962,561           | 71,422           | -                | -                | -                 | -                 | -                 | -                   | -                   | 1,271,194           |
| Transferred to Production Costs   | -                 | -                 | -                | -                | -                | -                 | -                 | -                 | -                   | -                   | -                   |
| <b>Cumulative Development Costs- February 29, 2012</b>                        | <b>237,211</b>    | <b>962,561</b>    | <b>71,422</b>    | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>            | <b>-</b>            | <b>1,271,194</b>    |
| <b>Production Costs</b>   |                   |                   |                  |                  |                  |                   |                   |                   |                     |                     |                     |
| Balance at November 30, 2011  | \$ -              | -                 | -                | -                | -                | -                 | -                 | -                 | -                   | -                   | \$ -                |
| Three months ended February 29, 2012 activity                                 |                   |                   |                  |                  |                  |                   |                   |                   |                     |                     |                     |
| Accumulated Depletion   | -                 | -                 | -                | -                | -                | -                 | -                 | -                 | -                   | -                   | -                   |
| <b>Cumulative Production Costs- February 29, 2012</b>                         | <b>-</b>          | <b>-</b>          | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>            | <b>-</b>            | <b>-</b>            |
| <b>Total Exploration, Development and Production Costs- February 29, 2012</b> | <b>\$ 237,211</b> | <b>\$ 962,561</b> | <b>\$ 71,422</b> | <b>\$ 70,278</b> | <b>\$ 55,744</b> | <b>\$ 329,258</b> | <b>\$ 117,813</b> | <b>\$ 431,418</b> | <b>\$ 1,004,544</b> | <b>\$ 1,269,874</b> | <b>\$ 4,550,123</b> |

# ATHABASCA MINERALS INC.

## Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

### Note 12 – Intangible Assets

|  | Susan Lake<br>Management<br>Contract | Poplar Creek<br>Management<br>Contract | Poplar Creek<br>Decommissioning<br>and Restoration<br>Costs | Total     |
|--|--------------------------------------|--|---|-----------|
| Cost at:   | \$                                   | \$                                     | \$  | \$        |
| November 30, 2011  | 7,800,000                            | 105,000                                | 369,567   | 8,274,567 |
| additions (reductions)   | -                                    | -                                      | (4,963)   | (4,963)   |
| November 30, 2012  | 7,800,000                            | 105,000                                | 364,604   | 8,269,604 |
| additions (reductions)   | -                                    | -                                      | (58,189)  | (58,189)  |
| February 28, 2013  | 7,800,000                            | 105,000                                | 306,415   | 8,211,415 |
| Accumulated Amortization at:   |                                      |  |   |           |
| November 30, 2011  | 2,624,074                            | 105,000                                | 369,567   | 3,098,641 |
| amortization for the period  | 866,667                              | -                                      | -   | 866,667   |
| additions (reductions)   | -                                    | -                                      | (4,963)   | (4,963)   |
| November 30, 2012  | 3,490,741                            | 105,000                                | 364,604   | 3,960,345 |
| amortization for the period  | 216,667                              | -                                      | -   | 216,667   |
| additions (reductions)   | -                                    | -                                      | (58,189)  | (58,189)  |
| February 28, 2013  | 3,707,408                            | 105,000                                | 306,415   | 4,118,823 |
| Carrying value at:   |                                      |  |   |           |
| November 30, 2011  | 5,175,926                            | -                                      | -   | 5,175,926 |
| November 30, 2012  | 4,309,259                            | -                                      | -   | 4,309,259 |
| February 28, 2013  | 4,092,592                            | -                                      | -   | 4,092,592 |
| Amortization expense for the following periods:  |                                      |  |   |           |
| (reported on the statements of net (loss) income and comprehensive (loss) income as amortization of intangible assets) |                                      |  |   |           |
|  | Susan Lake<br>Management<br>Contract | Poplar Creek<br>Management<br>Contract | Poplar Creek<br>Decommissioning<br>and Restoration<br>Costs | Total     |
|  | \$                                   | \$                                     | \$  | \$        |
| Period ending February 28, 2013  | 216,667                              | -                                      | -   | 216,667   |
| Period ending February 29, 2012  | 216,667                              | -                                      | -   | 216,667   |

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 depreciated on a straight-line basis over the life of the contract. As at February 28, 2013 the remaining term of the contract is 57 months. The Poplar Creek pit has been depleted and accordingly its management contract and decommissioning and restoration costs carrying values were written off at November 30, 2011. The Poplar Creek management contract expired February 28, 2013.

During the three months ended February 28, 2013, the estimate for future decommissioning and restoration costs for the Poplar Creek pit decreased by \$58,189. Of the decrease, \$16,818 was a decrease attributable

# ATHABASCA MINERALS INC.

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### Note 12 - Intangible Assets (continued)

to the 42 acres related to the land use agreement (Note 10), and \$41,371 was a decrease attributable to the 124 acre laydown storage yard. \$16,818 was recorded as a reduction in the loss on the land use agreement, and \$41,371 was credited to intangible assets and subsequently impaired and included in the recovery of write down of intangible assets.

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 decommissioning and restoration. As at February 28, 2013 the Susan Lake contract remains in effect, and no portions of the lands have been withdrawn for oil sand lease development (Note 23 c).

### Note 13- Goodwill

The goodwill arose as a result of the acquisition of Aggregates Management Inc. that closed on November 20, 2008. The acquired company held the management contracts to operate on behalf of the Province of Alberta, two aggregate pits in the Fort McMurray area of Alberta. No events have occurred or circumstances changed that would suggest impairment exists at February 28, 2013.

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

The recoverable amount of a CGU is determined based on the higher of value in use calculations or fair value less cost to sell. The Corporation's value in use calculations use after-tax cash flow projections expected to be generated by the CGU based on the actual results of operations from the preceding fiscal year. The cash flows were done over duration equal to the remaining life of the Susan Lake management contract (five years, six years and seven years at November 30, 2012, November 30, 2011 and December 1, 2010, respectively). No growth rate was applied to the projections and a discount rate of 7% had been used based on the Corporation's after-tax weighted cost of capital.

| <b>Note 14 – Long-Term Debt</b>   | <b>February 28,<br/>2013</b> | <b>November<br/>30, 2012</b> |
|---|------------------------------|------------------------------|
| 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 | 3,333,333                    | \$ 3,583,333                 |
| Deferred long-term debt transaction costs amortized over life of term debt  | <u>(33,515)</u>              | <u>(34,903)</u>              |
|   | 3,299,818                    | 3,548,430                    |
| Principal due within one year   | <u>1,000,000</u>             | <u>1,000,000</u>             |
|   | <u>\$2,299,818</u>           | <u>\$2,548,430</u>           |

The principal repayment requirements for the subsequent four years are as follows:

|                                   |                    |
|-----------------------------------|--------------------|
| March 1, 2013 – February 28, 2014 | \$1,000,000        |
| March 1, 2014 – February 28, 2015 | \$1,000,000        |
| March 1, 2015 – February 29, 2016 | \$1,000,000        |
| March 1, 2016 – June 8, 2016      | <u>\$ 333,333</u>  |
|                                   | <u>\$3,333,333</u> |

## **ATHABASCA MINERALS INC.**

### **Notes to Condensed Interim Financial Statements**

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#### **Note 14 – Long-Term Debt** (continued)

The term debt is subject to an annual cash sweep of 20% free cash flow or a minimum of \$350,000, whichever is larger, if the Corporation's annual funded debt to EBITDA ratio is equal to or greater than 2.0 to 1.0. The cash sweep covenant is to be waived once the outstanding term debt reduces to \$2,500,000 or if the Corporation's annual funded debt to EBITDA ratio is less than 2.0 to 1.0. For the three months ended February 28, 2013 the ratio was less than 2.0 to 1.0 therefore a cash sweep is not reflected in the principal repayment requirements.

The following security was provided for the long-term debt, the lease obligation (Note 15), the demand revolving operating loan, and the following additional credit facilities:

- 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 (Note 11);
- 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.

The Corporation has access to a \$3,000,000 demand operating loan with a sub-limit of \$2,000,000 available for letters of commercial credit. The operating loan bears interest at the bank's prime lending rate plus 1%. No balance was outstanding on the operating loan, apart from the letters of credit described below, which bear a different rate of interest.

Availability of operating loan borrowing is subject to margin requirements, and is determined based upon acceptable accounts receivable and inventory.

The Corporation has a letter of commercial credit for \$603,000 to the benefit of the Government of Alberta for decommissioning and restoration at the Susan Lake pit. A cost of 2.50% per annum is charged for the letter of commercial credit. A guaranteed investment certificate in the amount of \$603,000 had served as security on the letter of credit. The security was released during the year ended November 30, 2012 as a result of debt refinancing.

The Corporation has a letter of commercial credit for \$248,760 to the benefit of the Government of Alberta for decommissioning and restoration in relation to a miscellaneous lease for a storage yard located at the Poplar Creek site. A cost of 2.50% per annum is charged for the letter of commercial credit.

The Corporation has a letter of commercial credit for \$500,000 to the benefit of the Government of Alberta for decommissioning and restoration at the Poplar Creek pit. A cost of 2.50% per annum is charged for the letter of commercial credit.

The Corporation has fully accessed a \$6,000,000 leasing facility to finance the acquisition of equipment. See Lease Obligation (Note 15).

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

As at February 28, 2013 the Corporation is in compliance with the lender's covenants.

## ATHABASCA MINERALS INC.

### Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012  
(unaudited)

| <b>Note 15 – Lease Obligation</b>   | <b>February<br/>28, 2013</b> | <b>November<br/>30, 2012</b> |
|---|------------------------------|------------------------------|
| Lease, repayable in monthly instalments of \$38,817 including interest at 4.124%, due June 30, 2017   | \$1,813,101                  | \$1,910,190                  |
| Lease, repayable in monthly instalments of \$65,253 including interest at 4.250%, due August 31, 2017 | 3,202,120                    | 3,362,716                    |
| Lease, repayable in monthly instalments of \$6,627 including interest at 4.250%, due August 31, 2017  | 325,286                      | 341,595                      |
|   | <u>5,340,507</u>             | <u>5,614,501</u>             |
| Principal due within one year   | <u>1,125,191</u>             | <u>1,113,444</u>             |
|   | <u>\$4,215,316</u>           | <u>\$4,501,057</u>           |

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

|                                     |                    |
|-------------------------------------|--------------------|
| March 1, 2013 – February 28, 2014   | \$1,328,355        |
| March 1, 2014 – February 28, 2015   | 1,328,355          |
| March 1, 2015 – February 29, 2016   | 1,328,355          |
| March 1, 2016 – February 28, 2017   | 1,328,355          |
| March 1, 2017 – August 31, 2017     | <u>548,028</u>     |
|                                     | <u>\$5,861,448</u> |
| Less interest included in payments: |                    |
| Year 1                              | \$ 203,164         |
| Years 2 - 5                         | <u>317,777</u>     |
|                                     | <u>\$ 520,941</u>  |
| Lease loan principal outstanding    | <u>\$5,340,507</u> |

Security is provided for the lease obligation. See Long-Term Debt (Note 14).

### Note 16 – Decommissioning and Restoration Provision

The Corporation has recognized a decommissioning and restoration provision in connection with Poplar Creek management agreement and related surface material lease acquired November 20, 2008, with the Kearn pit surface material lease for land disturbance occurring during the year ended November 30, 2011, and with the House River pit surface material lease and with the Logan pit surface material lease for land disturbance occurring during the year ended November 30, 2012.

|  | <b>Three months<br/>ended<br/>February 28,<br/>2013</b> | <b>Year ended<br/>November 30,<br/>2012</b> |
|--|---|---|
| Balance at beginning of period         | \$ 1,098,041  | \$ 587,664                                  |
| Change in interest rate                | (2,999)   | 59,448                                      |
| Accretion                              | 3,872   | 14,971                                      |
| Change in estimate                     | (73,072)  | 83,014                                      |
| House River pit addition during period | -   | 174,348                                     |
| Logan pit addition during period       | -   | 178,596                                     |
| Balance at end of period               | <u>\$ 1,025,842</u>                                     | <u>\$ 1,098,041</u>                         |

## **ATHABASCA MINERALS INC.**

### **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

#### **Note 16 – Decommissioning and Restoration Provision (continued)**

A determination of the fair value of the Poplar Creek provision assumes undiscounted estimated future cash flows needed to settle the liability as at February 28, 2013 of approximately \$411,877. This pertains to both the depleted 42 acre parcel of land transferred under a long-term land use agreement with a work camp provider (Note 10), and the depleted 124 acres on which the Corporation holds a miscellaneous lease to develop a storage yard within the Poplar Creek pit. The decommissioning and restoration costs are expected to be expended at the expiry of the land use agreement in 2015 plus an expected five year renewal through 2020, and at the expiry of the miscellaneous lease term at February 28, 2013, with decommissioning and restoration expected to be completed during 2013. These estimated future cash flows have been discounted at a risk-free rate of 1.58% on the 42 acre parcel of land transferred under a long-term land use agreement, and 1.08% on the depleted 124 acres within the Poplar Creek pit. The Corporation has provided a \$500,000 letter of credit to the benefit of the Government of Alberta on behalf of the Corporation for decommissioning and restoration in relation to the Poplar Creek management agreement and related surface material lease (Note 12). These estimated future cash flows include an assumed inflation rate of 3%. The estimated future decommissioning and restoration cost associated with the Poplar Creek pit was decreased by \$56,827 during the three months ended February 28, 2013.

During the year ended November 30, 2011 the Corporation recognized a decommissioning and restoration provision on its Kearl pit. A determination of the fair value of the Kearl pit provision assumes undiscounted estimated future cash flows needed to settle the liability as at February 28, 2013 of approximately \$272,532 which is expected to be expended at the termination of the surface materials lease in 2021. These estimated future cash flows have been discounted at a risk-free rate of 1.58%. The Corporation has provided a \$79,990 security deposit paid to the Government of Alberta on behalf of the Corporation for decommissioning and restoration in relation to the Kearl pit surface materials lease. These estimated future cash flows include an assumed inflation rate of 3%. The estimated future decommissioning and restoration cost associated with the Kearl pit was decreased by \$31,644 during the three months ended February 28, 2013 with the decrease reducing the related asset.

During the year ended November 30, 2012 the Corporation recognized a decommissioning and restoration provision on its House River pit. A determination of the fair value of the House River pit provision assumes undiscounted estimated future cash flows needed to settle the provision as at February 28, 2013 of approximately \$244,878 which is expected to be expended at the termination of the surface materials lease in 2021. These estimated future cash flows have been discounted at a risk-free rate of 1.66%. The Corporation has provided a \$79,980 security deposit paid to the Government of Alberta on behalf of the Corporation for decommissioning and restoration in relation to the House River pit surface materials lease. These estimated future cash flows include an assumed inflation rate of 3%. The estimated future decommissioning and restoration cost associated with the House River pit was increased by \$18,933 during the three months ended February 28, 2013 with the increase added to the related asset.

During the year ended November 30, 2012 the Corporation recognized a decommissioning and restoration provision on its Logan pit. A determination of the fair value of the Logan pit provision assumes undiscounted estimated future cash flows needed to settle the provision as at February 28, 2013 of approximately \$198,914 which is expected to be expended at the termination of the surface materials lease in 2020. These estimated future cash flows have been discounted at a risk-free rate of 1.58%. The Corporation has provided an \$80,370 security deposit paid to the Government of Alberta on behalf of the Corporation for decommissioning and restoration in relation to the Logan pit surface materials lease. These estimated future cash flows include an assumed inflation rate of 3%. The estimated future decommissioning and restoration cost associated with the Logan pit was decreased by \$2,661 during the three months ended February 28, 2013 with the decrease reducing the related asset.

No decommissioning and restoration provision has been provided for the Susan Lake management agreement as either a third party will assume the retirement costs or the specific area of the pit has not been environmentally disturbed.

## ATHABASCA MINERALS INC.

### Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

#### Note 16 – Decommissioning and Restoration Provision (continued)

In view of uncertainties concerning decommissioning and restoration provisions, the ultimate costs could be materially different from the amounts estimated. The estimate of future decommissioning and restoration provisions is subject to change based on amendments to applicable laws and legislation. Future changes in decommissioning and restoration provisions, if any, could have a significant impact and would be reflected prospectively, as a change in accounting estimate.

#### Note 17 – Deferred Gain on Sale and Leaseback

|  | <b>February<br/>28, 2013</b> | <b>November<br/>30, 2012</b> |
|--|------------------------------|------------------------------|
|  | \$ 32,783                    | \$ 34,709                    |

The Corporation received lease proceeds on the sale and leaseback of property and equipment in an amount of \$38,515 exceeding the carrying value of the assets that were sold. The deferred gain on sale and leaseback will be realized over the 60 month term of the lease. During the three months ended February 28, 2013, \$1,926 of the deferred gain on sale and leaseback was realized and taken into income.

#### Note 18 - Income Taxes

The estimation of the Corporation's deferred tax assets and liabilities involves significant judgment around a number of assumptions. Judgment must be used to determine the Corporation's future earning potential, and the expected timing of the reversal of deferred tax assets and liabilities. Further uncertainties are the result of interpretation of tax legislation which might differ from the ultimate assessment of the tax authorities. These differences may affect the final amount 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 significant portions of the net deferred tax liability are:

|                                     | <b>February<br/>28, 2013</b> | <b>November<br/>30, 2012</b> |
|-------------------------------------|------------------------------|------------------------------|
| Deferred tax assets:                |                              |                              |
| Cumulative eligible capital         | \$ 39,917                    | \$ 40,628                    |
| Prepaid gravel                      | 37,500                       | 37,500                       |
| Deferred gain on sale and leaseback | 8,196                        | 8,677                        |
|                                     | <u>85,613</u>                | <u>86,805</u>                |
| Deferred tax liabilities:           |                              |                              |
| Property and equipment              | 212,040                      | 163,189                      |
| Resource properties                 | 1,052,046                    | 983,508                      |
| Land use agreement receivable       | 315,969                      | 405,215                      |
| Intangible assets                   | <u>1,023,148</u>             | <u>1,077,315</u>             |
|                                     | <u>2,603,203</u>             | <u>2,629,227</u>             |
| Net deferred tax liability          | \$ <u>2,517,590</u>          | \$ <u>2,542,422</u>          |

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 presented in the following table.

# ATHABASCA MINERALS INC.

## Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

### Note 18 - Income Taxes (continued)

|  | Three<br>months<br>ended<br>February<br>28, 2013 | Three<br>months<br>ended<br>February<br>29, 2012 |
|--|--|--|
| (Loss) income before income taxes              | \$ (467,459)                                     | \$ 1,281,826                                     |
| Statutory Canadian combined corporate tax rate | <u>25.0%</u>                                     | <u>25.0%</u>                                     |
| Expected tax (benefit) expense                 | (116,865)  | 320,456  |
| Increase in income taxes resulting from:       |  |  |
| Non-deductible expenses                        | 58,184   | 28,284   |
| Other  | <u>(34,196)</u>                                  | <u>148,678</u>                                   |
|  | <u>\$ (92,877)</u>                               | <u>\$ 497,418</u>                                |
| The provision for taxes is comprised of:       |  |  |
| Provision for current taxes (benefit)          | \$ (68,045)                                      | \$ 383,458                                       |
| Provision for deferred taxes (benefit)         | <u>(24,832)</u>                                  | <u>113,960</u>                                   |
|  | <u>\$ (92,877)</u>                               | <u>\$ 497,418</u>                                |

### Note 19 - Share Capital

- a) Authorized:  
An unlimited number of  
Common voting shares with no par value  
Preferred shares, issuable in series
- b) The Corporation has issued common voting shares of its share capital as follows:

|   | Three months ended<br>February 28, 2013 |                     | Year ended November 30,<br>2012 |                     |
|---|---|---------------------|---------------------------------|---------------------|
|   | Number of<br>Shares                     | Amount              | Number of<br>Shares             | Amount              |
| Balance at beginning of period                                    | 27,980,833                              | \$ 7,049,080        | 27,199,166                      | \$ 6,655,116        |
| Transfer from contributed surplus on<br>exercise of stock options | -                                       | 34,128              | -                               | 227,117             |
| Issued shares on exercise of stock<br>options (Note 19 d)         | <u>136,667</u>                          | <u>44,900</u>       | <u>781,667</u>                  | <u>166,847</u>      |
| Balance at end of period  | <u>28,117,500</u>                       | <u>\$ 7,128,108</u> | <u>27,980,833</u>               | <u>\$ 7,049,080</u> |

- c) Repurchased common shares:

During the years ended November 30, 2011 and November 30, 2012 the Corporation had in place a normal course issuer bid that commenced on August 12, 2011 and terminated on August 12, 2012 (the "2011 Bid"). During the years ended November 30, 2011 and November 30, 2012 no common shares were repurchased pursuant to the 2011 Bid.



## ATHABASCA MINERALS INC.

### Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

#### Note 19 - Share Capital (continued)

c) Repurchased common shares: (continued)

During the three months ended February 28, 2013 the Corporation had in place a normal course issuer bid (the "2012 Bid"). In accordance with the terms of the Bid, the Corporation may purchase up to a total of 1,388,625 common shares representing approximately 5% of the common shares of the Corporation issued and outstanding as at August 9, 2012. The Bid commenced on August 14, 2012 and will terminate on August 14, 2013. All acquisitions of common shares by the Corporation pursuant to the 2012 Bid will be made through the facilities of TSX Venture Exchange at the market price for the common shares at the time of the acquisition. The purchase and payment for the common shares will be made by the Corporation in accordance with the by-laws and rules of the TSX Venture.

There are no persons acting jointly or in concert with the Corporation in respect of the 2012 Bid. The Corporation is making the 2012 Bid in order to stabilize the trading price and provide liquidity in the market for its common shares. During the three months ended February 28, 2013 and the year ended November 30, 2012 no common shares had been repurchased pursuant to the 2012 Bid.

d) 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 February 28, 2013 |                                 | Year ended November 30, 2012 |                                 |
|--|--------------------------------------|---------------------------------|------------------------------|---------------------------------|
|  | Number of Options                    | Weighted Average Exercise Price | Number of Options            | Weighted Average Exercise Price |
| Options outstanding, beginning of period | 1,836,666                            | \$ 0.58                         | 2,414,100                    | \$ 0.33                         |
| Issued                                   | 560,000                              | \$ 1.64                         | 1,410,000                    | \$ 0.69                         |
| Expired or cancelled                     | (283,333)                            | \$ 1.39                         | (1,205,767)                  | \$ 0.40                         |
| Exercised                                | (136,667)                            | \$ 0.35                         | (781,667)                    | \$ 0.29                         |
| Options outstanding, end of period       | <u>1,976,666</u>                     | \$ 0.78                         | <u>1,836,666</u>             | \$ 0.58                         |

Of the outstanding stock options, 726,667 options were exercisable at February 28, 2013 at a weighted average exercise price of \$0.49 per share.

The weighted average remaining contractual life of the options is 3.92 years. The weighted average share price on the dates options were exercised is \$1.59.

The Corporation's stock option plan provides that the Board of Directors may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase common shares. The stock option plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange. Options may be exercisable for up to ten years from the date of grant, but the Board of Directors has the discretion to grant options that are exercisable for a shorter period. Options

## ATHABASCA MINERALS INC.

### Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

#### Note 19 - Share Capital (continued)

d) Stock options: (continued)

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.

On October 6, 2011, the Corporation granted 70,000 stock options to the Corporation's directors, officers, employees and consultants. The options vest as to one-third on each of April 5, 2012, October 5, 2012 and April 5, 2013. The fair value of the options on the grant date was estimated at \$17,612 (\$0.2516 weighted average fair value per option) using the Black-Scholes option-pricing model with the following assumptions:

|                          |  |
|--------------------------|--|
| Exercise price           | \$0.35 (equal to closing price on date of grant) |
| Dividend yield           | Nil  |
| Expected Volatility      | 76%  |
| Risk free rate of return | 1.0%   |
| Expected life            | 5 years  |
| Forfeiture rate          | 0%   |

On March 29, 2012, the Corporation granted 1,205,000 stock options to the Corporation's directors, officers, employees and consultants. The options vest as to one-third on each of August 29, 2012, March 29, 2013 and August 29, 2013. The fair value of the options on the grant date was estimated at \$556,107 (\$0.4615 weighted average fair value per option) using the Black-Scholes option-pricing model with the following assumptions:

|                          |  |
|--------------------------|--|
| Exercise price           | \$0.63 (equal to closing price on date of grant) |
| Dividend yield           | Nil  |
| Expected Volatility      | 97%  |
| Risk free rate of return | 1.55%  |
| Expected life            | 5 years  |
| Forfeiture rate          | 0%   |

On August 24, 2012, the Corporation granted 205,000 stock options to the Corporation's directors, officers, employees and consultants. The options vest as to one-third on each of February 24, 2013, August 24, 2013 and February 24, 2014. The fair value of the options on the grant date was estimated at \$154,508 (\$0.7537 weighted average fair value per option) using the Black-Scholes option-pricing model with the following assumptions:

|                          |  |
|--------------------------|--|
| Exercise price           | \$1.04 (equal to closing price on date of grant) |
| Dividend yield           | Nil  |
| Expected Volatility      | 96%  |
| Risk free rate of return | 1.4%   |
| Expected life            | 5 years  |
| Forfeiture rate          | 0%   |

On December 11, 2012, the Corporation granted 560,000 stock options to the Corporation's directors, officers, and consultants. The options vest as to one-third on each of June 11, 2013, December 11, 2013 and June 11, 2014. The fair value of the options on the grant date was estimated at \$671,608 (\$1.1993 weighted average fair value per option) using the Black-Scholes option-pricing model with the following assumptions:

# ATHABASCA MINERALS INC.

## Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

### Note 19 - Share Capital (continued)

d) Stock options: (continued)

|                          |  |
|--------------------------|--|
| Exercise price           | \$1.64 (equal to closing price on date of grant) |
| Dividend yield           | Nil  |
| Expected Volatility      | 97%  |
| Risk free rate of return | 1.3%   |
| Expected life            | 5 years  |
| Forfeiture rate          | 0%   |

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

The following is a summary of the outstanding stock options:

| Expiry Date        | Exercise Price | Number of Options Outstanding February 28, 2013 | Number of Options Outstanding November 30, 2012 |
|--------------------|----------------|---|---|
| May 13, 2013       | \$ .40         | 25,000  | 25,000  |
| September 21, 2014 | \$ .25         | 75,000  | 125,000   |
| October 15, 2015   | \$ .26         | 220,000   | 280,000   |
| October 6, 2016    | \$ .35         | 70,000  | 70,000  |
| March 29, 2017     | \$ .63         | 1,051,666                                       | 1,131,666                                       |
| August 24, 2017    | \$ 1.04        | 175,000   | 205,000   |
| December 11, 2012  | \$ 1.64        | 360,000   | -   |
|                    |                | 1,976,666                                       | 1,836,666                                       |

e) Net income per common share

|   | For the three months ended February 28, 2013 | For the three months ended February 29, 2012 |
|---|--|--|
| <b>Net (loss) income per common share-basic</b>                         |  |  |
| Net (loss) income   | \$ (374,582)                                 | \$ 784,408                                   |
| Weighted average number of common shares outstanding                    | 28,097,759                                   | 27,199,166                                   |
| Net (loss) income per common share                                      | \$ (0.013)                                   | \$ 0.029                                     |
| <b>Net (loss) income per common share-diluted</b>                       |  |  |
| Net (loss) income   | (374,582)                                    | \$ 784,408                                   |
| Weighted average number of common shares outstanding                    | 28,097,759                                   | 27,199,166                                   |
| Effect of dilutive stock options  | -  | 494,728                                      |
| Weighted average number of common shares outstanding, assuming dilution | 28,097,759                                   | 27,693,894                                   |
| Net (loss) income per common share                                      | \$ (0.013)                                   | \$ 0.028                                     |

During the three months ended February 28, 2013 the Corporation was in a net loss position therefore the conversion of convertible securities is considered to be anti-dilutive. During the three months ended February 29, 2012 all options outstanding at February 29, 2012 were dilutive.

**ATHABASCA MINERALS INC.****Notes to Condensed Interim Financial Statements**

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

**Note 20 – Finance Costs**

|  | <b>For the three<br/>months<br/>ended<br/>February 28,<br/>2013</b> | <b>For the three<br/>months<br/>ended<br/>February 29,<br/>2012</b> |
|--|---|---|
| Interest on callable debt                        | \$ -  | \$ 45,439   |
| Interest on long-term debt                       | 41,951  | -   |
| Interest on lease obligations                    | 58,095  | -   |
| Amortization on long-term debt transaction costs | 1,388   | -   |
| Accretion  | 3,872   | 686   |
|  | <u>\$ 105,306</u>   | <u>\$ 46,125</u>  |

**Note 21 - Related Party Transactions**

During the three months ended February 28, 2013, the Corporation incurred expenses of \$22,562 (2012 - \$99,459) 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 fees are recorded in the financial statements as follows:

|   | <b>For the three<br/>months<br/>ended<br/>February 28,<br/>2013</b> | <b>For the three<br/>months<br/>ended<br/>February 29,<br/>2012</b> |
|---|---|---|
| Directors and Officers:                         |   |   |
| Directors fees and expenses                     | \$ 812  | \$ -  |
| Travel and miscellaneous                        | -   | 7,132   |
|   | <u>812</u>  | <u>7,132</u>  |
| Companies controlled by directors and officers: |   |   |
| Consulting fees for services rendered           | -   | 72,112  |
| Travel and miscellaneous                        | 750   | 2,250   |
| Exploration costs                               | -   | 2,965   |
| Rent  | 21,000  | 15,000  |
|   | <u>21,750</u>   | <u>92,327</u>   |
|   | <u>\$ 22,562</u>  | <u>\$ 99,459</u>  |

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 22 – Compensation of Key Management**

Key management personnel include members of the Board of Directors and the senior leadership team. Compensation for key management personnel, including directors, was as follows:

|                             | <b>For the three<br/>months<br/>ended<br/>February 28,<br/>2013</b> | <b>For the three<br/>months<br/>ended<br/>February 29,<br/>2012</b> |
|-----------------------------|---|---|
| Salaries and other benefits | \$ 136,075  | \$ 154,503  |
| Share-based benefits        | 170,865   | 18,032  |
|                             | <u>\$ 306,940</u>   | <u>\$ 172,535</u>   |

## **ATHABASCA MINERALS INC.**

### **Notes to Condensed Interim Financial Statements**

**For the three months ended February 28, 2013 and February 29, 2012**

**(unaudited)**

#### **Note 23 - Financial Instruments**

The Corporation's financial instruments consist of cash, restricted cash, accounts receivable, land use agreement receivable, short-term investment, long-term deposits, trade and other payables, lease obligation, and long-term debt.

##### **a) Fair Value**

Due to the short-term nature of cash, accounts receivable, trade and other payables the carrying value of these financial instruments approximate their fair value. The fair value of short-term investment, restricted cash and long-term debt 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 not materially different from carrying value. The lease obligation is at a fixed rate of interest. The fair value of the lease obligation is not materially different from carrying value as they are at the market rate of interest. Land use agreement receivable 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, short-term investment, accounts receivable, long-term deposits and land use agreement receivable. The Corporation's maximum credit risk at February 28, 2013 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.

At February 28, 2013, 79.6% of the Corporation's accounts receivable was due from four customers.

The Corporation's aged accounts receivable are comprised of 78.2% current, 12.5% past due up to 60 days and 9.3% past due over 60 days. While certain amounts are past due, management considers there is no impairment of the accounts receivable except as provided in the following paragraph.

Included in accounts receivable past due over 60 days is \$625,421 owed to the Corporation which is under dispute. The Corporation has provided \$119,207 as allowance for doubtful accounts, which was expensed to bad debts during fiscal 2012. Management expects to collect the unimpaired balance of the receivable through legal settlement during the year ending November 30, 2013.

Credit risk associated with cash, restricted cash and short-term investment 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 bear little credit risk.

##### **c) Liquidity Risk**

The Corporation manages liquidity risk by ensuring sufficient funds are available to meet liabilities when they come due. Under its long-term credit facilities, the Corporation must maintain certain ratios. The Corporation has complied with all ratios as at February 28, 2013.

As at February 28, 2013 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 trade and other payables, term debt, including interest (excluding deferred transaction costs) and lease obligation, including interest.

# ATHABASCA MINERALS INC.

## Notes to Condensed Interim Financial Statements

For the three months ended February 28, 2013 and February 29, 2012

(unaudited)

### Note 23 - Financial Instruments (continued)

#### c) Liquidity Risk

The following are the timings of the undiscounted cash outflows relating to financial liabilities:

2013 FINANCIAL INSTRUMENTS NOTE 23 C- LIQUIDITY RISK

|                                      | 0 - 1 year | 2- 3 years | 4 - 5 years | Total      |
|--------------------------------------|------------|------------|-------------|------------|
|                                      | \$         | \$         | \$          | \$         |
| Trade and other payables             | 7,436,777  | -          | -           | 7,436,777  |
| Long-term debt, including interest   | 1,136,562  | 2,130,625  | 336,632     | 3,603,819  |
| Lease obligation, including interest | 1,328,355  | 2,656,710  | 1,876,383   | 5,861,448  |
| Total                                | 9,901,694  | 4,787,335  | 2,213,015   | 16,902,044 |

The Corporation's existing credit facilities and cash flow from operating activities is expected to be greater than anticipated capital expenditures and the contractual maturities of the Corporation's financial liabilities as at February 28, 2013. The expectation could be adversely affected by a material negative change in the demand for aggregate or the Corporation's management contract (Note 12).

#### 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 February 28, 2013 the Corporation had USD cash on deposit in the amount of \$1,122 (CAD \$1,151), and no USD denominated trade and other payables or receivables. As the amounts involved are unsubstantial management feels risk is minimal.

#### e) Interest Rate Risk

The Corporation has an interest bearing term deposit and carries variable rate debt financing. Given the interest rate is fixed on the term deposit the Corporation is not exposed to any interest rate risk on this financial instrument. However, the Corporation is exposed to interest rate risk on the variable rate term loan and letters of credit facility. A 100 basis point increase in the interest rate on the term loan and letters of credit facility would decrease net income and comprehensive income by approximately \$35,000.

The Corporation's term debt bears interest at 1.75% over the bank's prime lending rate. The Corporation's letters of credit facility bears interest at 2.5% over the bank's prime lending rate. As the bank's prime lending rate fluctuates so will the cost of borrowing.

### Note 24 - Capital Disclosures

The capital structure of the Corporation consists of net debt (borrowings as detailed in Note 14 and Note 15 offset by cash and bank balances) plus equity (comprising 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 below.

The Corporation is subject to externally imposed capital requirements represented by various bank covenants related to its term debt and operating loan. These covenants include restrictions on capital expenditures and buy-back of share capital, minimum debt service coverage, minimum working capital

**ATHABASCA MINERALS INC.****Notes to Condensed Interim Financial Statements****For the three months ended February 28, 2013 and February 29, 2012****(unaudited)****Note 24 - Capital Disclosures** (continued)

ratio and a maximum funded debt to EBITDA ratio. The covenants will result in restrictions on the use of capital. As at February 28, 2013 the Corporation is in compliance with these covenants.

There were no changes to the Corporation's capital management during the three months ended February 28, 2013.

**Note 25 - Supplemental Cash Flow Information**

|  | <b>For the three<br/>months<br/>ended<br/>February 28,<br/>2013</b> | <b>For the three<br/>months<br/>ended<br/>February 29,<br/>2012</b> |
|--|---|---|
| The Corporation paid or received cash during the period for the following: |   |   |
| Interest paid  | \$ 100,046  | \$ 45,439   |
| Interest received  | \$ 5,874  | \$ 7,842  |
| Income taxes paid  | \$ -  | \$ 225,000  |