Athabasca
MINERALS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three Months Ended February 29, 2012

(unaudited)

Notice of No Auditor Review of Condensed Interim Financial Statements
For the three months ended February 29, 2012

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 Charted Accountants for a review of condensed interim financial statements by an entity's auditor.

May 29, 2012

"Udomdej Kriangkum"	*"Don Hruba"*
Udomdej Kriangkum	Don Hruba
Chief Executive Officer	Chief Financial Officer

ATHABASCA MINERALS INC.
Condensed Interim Balance Sheets
(unaudited)

	February 29, 2012	November 30, 2011 (note 21)	December 1, 2010 (note 21)
ASSETS			
CURRENT			
Cash	$ 2,115,340	$ 1,397,883	$ 1,296,812
Accounts receivable	4,492,260	3,778,126	3,210,246
Prepaid expenses	315,690	327,510	502,546
Current portion of land use agreement receivable	215,873	213,057	-
Short-term investment	603,000	603,000	603,000
	7,742,163	6,319,576	5,612,604
LONG-TERM DEPOSITS	106,590	106,590	25,050
RESTRICTED CASH	42,582	25,522	-
PROPERTY AND EQUIPMENT (Note 6)	823,586	734,034	858,911
LAND USE AGREEMENT RECEIVABLE (Note 7)	546,511	603,876	-
RESOURCE PROPERTIES (Note 8)	5,042,386	4,694,489	3,379,376
INTANGIBLE ASSETS (Note 9)	4,959,259	5,175,926	6,234,494
GOODWILL (Note 10)	2,537,701	2,537,701	2,537,701
	$ 21,800,778	$ 20,197,714	$ 18,648,136
LIABILITIES			
CURRENT			
Trade and other payables	$ 2,287,769	$ 1,476,071	$ 871,279
Income tax payable	430,088	271,630	700,910
Callable debt (Note 11)	3,423,417	3,883,479	5,723,729
	6,141,274	5,631,180	7,295,918
DECOMMISSIONING AND RESTORATION PROVISION (Note 12)	760,989	587,664	267,781
DEFERRED TAX (Note 13)	2,410,914	2,296,954	2,305,676
	9,313,177	8,515,798	9,869,375
EQUITY			
SHARE CAPITAL (Note 14)	6,655,116	6,655,116	6,585,761
CONTRIBUTED SURPLUS	817,273	795,996	736,643
RETAINED EARNINGS	5,015,212	4,230,804	1,456,357
	12,487,601	11,681,916	8,778,761
	$ 21,800,778	$ 20,197,714	$ 18,648,136

Approved by the Board of Directors

"Douglas Stuve", Director — "Theodore Rousseau", Director

Douglas M. Stuve — Theodore Rousseau

The accompanying notes are part of these financial statements.

ATHABASCA MINERALS INC.

Condensed Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the three months ended February 29, 2012 and February 28, 2011
(unaudited)

	Three Months Ended	
	February 29, 2012	**February 28, 2011 (note 22)**
AGGREGATE MANAGEMENT FEE REVENUE	$ 2,845,227	$ 1,348,330
GRAVEL SALES	1,607,110	-
TOTAL REVENUE	4,452,337	1,348,330
ROYALTIES	822,718	356,634
	3,629,619	991,696
Stripping and clearing expenses	1,040,415	-
Other aggregate operating expenses	482,204	299,868
AGGREGATE OPERATING EXPENSES	1,522,619	299,868
	2,107,000	691,828
OTHER EXPENSES		
Depreciation of property and equipment	31,510	35,436
Amortization of intangible assets	251,302	238,065
Depletion of resource properties	16,569	-
General and administrative	439,475	278,828
Finance costs (Note 15)	46,125	68,177
Share-based compensation	21,277	55,564
	806,258	676,070
INCOME BEFORE OTHER ITEMS	1,300,742	15,758
OTHER INCOME (LOSS)		
Interest income	3,623	2,131
Miscellaneous income (expense)	2,733	(17,767)
Write down of resource properties and exploration costs	-	(1,250)
Foreign exchange	(445)	-
Loss on write off of property and equipment	(24,827)	-
	(18,916)	(16,886)
INCOME (LOSS) BEFORE INCOME TAXES	1,281,826	(1,128)
INCOME TAXES		
Current tax (benefit) (Note 13)	383,458	(6,369)
Deferred tax expense (Note 13)	113,960	7,131
	497,418	762
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**$ 784,408**	**$ (1,890)**
BASIC INCOME PER COMMON SHARE (Note 14 e)	**$ 0.029**	**$ 0.00**
DILUTED INCOME PER COMMON SHARE (Note 14 e)	**$ 0.028**	**$ 0.00**
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**27,199,166**	**27,090,659**

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 29, 2012 and February 28, 2011
(unaudited)

	Three months ended February 29, 2012				
	Number of Shares	**Share Capital**	**Contributed Surplus**	**Retained Earnings**	**Total Equity**
November 30, 2011	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
February 29, 2012	27,199,166	$6,655,116	$ 817,273	$5,015,212	$12,487,601

	Three months ended February 28, 2011				
	Number of Shares	**Share Capital**	**Contributed Surplus**	**Retained Earnings**	**Total Equity**
December 1, 2010	27,149,165	$ 6,585,761	$736,643	$ 1,456,357	$ 8,778,761
Premium on repurchased shares	(215,000)	(52,154)		(6,344)	(58,498)
Share-based compensation			55,564		55,564
Net loss for the period				(1,890)	(1,890)
February 28, 2011	26,934,165	$6,533,607	$792,207	$1,448,123	$8,773,937

The accompanying notes are part of these financial statements.

ATHABASCA MINERALS INC.

Condensed Interim Statements of Cash Flows
For the three months ended February 29, 2012 and February 28, 2011
(unaudited)

	Three Months Ended	
	February 29, 2012	February 28, 2011 (Note 21)
OPERATING ACTIVITIES		
Net income (loss)	$ 784,408	$ (1,890)
Adjustments for non-cash items:		
Depreciation, amortization, depletion and accretion	300,067	274,667
Deferred tax expense	113,960	7,131
Share-based compensation	21,277	55,564
Write down of resource properties and exploration costs	-	1,250
Loss on write off of property and equipment	24,827	-
Net income (loss) adjusted for non-cash items	1,244,539	336,722
Net changes in non-cash working capital balances		
Trade and other payables	811,698	(263,941)
Accounts receivable	(714,134)	1,462,494
Income tax payable	158,458	(31,520)
Prepaid expenses	11,820	(125,307)
	1,512,381	1,378,448
INVESTING ACTIVITIES		
Purchase of property and equipment	(145,889)	(2,633)
Restricted cash	(17,060)	-
Proceeds from land use agreement	54,549	-
Resource properties	(226,462)	(108,059)
	(334,862)	(110,692)
FINANCING ACTIVITIES		
Repurchase of share capital	-	(58,498)
Repayment of callable debt	(460,062)	(460,063)
	(460,062)	(518,561)
NET INCREASE IN CASH	717,457	749,195
CASH, BEGINNING OF PERIOD	1,397,883	1,296,812
CASH, END OF PERIOD	$ 2,115,340	$ 2,046,007

Supplemental cash flow information (Note 20)

The accompanying notes are part of these financial statements.

Note 1 – Nature of Business

Athabasca Minerals Inc. (the "Corporation") is incorporated under the *Canada Business Corporations Act (Alberta).* The Corporation's head office is located at 9524 27 Avenue, Edmonton, Alberta, Canada T6N 1B2. The Corporation manages two aggregate (sand and gravel) pits 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 one of these contracts. In addition to these management contracts, 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 and Canadian Shield areas 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

Adoption of International Financial Reporting Standards

The Corporation was required to adopt International Financial Reporting Standards ("IFRS") for its interim and annual financial statements for the fiscal year commencing December 1, 2011. The Corporation's transition date to IFRS was December 1, 2010 (the "Transition Date") and the comparative balance sheet as at November 30, 2011, the opening balance sheet as at December 1, 2010 and comparative statements of net income (loss) and comprehensive income (loss), changes in equity and cash flows for the three months ended February 28, 2011, have been restated to IFRS.

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared to the most recent annual financial statements prepared under Canadian generally accepted accounting principles ("Canadian GAAP"). The accounting policies set out below have been applied to all periods presented in these financial statements, and are based on IFRS as issued by the International Accounting Standards Board ("IASB") that the Corporation expects to be applicable for its annual financial statements for the year ending November 30, 2012.

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

Statement of Compliance

These condensed interim financial statements of the Corporation have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the IASB and using the accounting policies disclosed below.

These condensed interim financial statements are the Corporation's first financial statements prepared using IFRS. The financial statements include an opening balance sheet as at December 1, 2010, the date at which the impact of IFRS transitions were recorded against equity in accordance with the provisions of IFRS 1 "First time adoption of International Financial Reporting Standards" and the 2011 comparative statements were prepared using the same basis of accounting. A detailed reconciliation of the financial statements prepared under Canadian GAAP and the comparative 2011 IFRS financial information is presented in note 21.

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

Note 3 – Basis of Presentation (continued)

Statement of Compliance (continued)

read in conjunction with the Corporation's audited financial statements for the year ended November 30, 2011 presented under Canadian GAAP.

These financial statements were authorized for issue by the Board of Directors on May 29, 2012.

Basis for presentation

The accounting policies set out below have been applied consistently to all periods presented in the financial statements and in preparing an opening IFRS balance sheet at December 1, 2010 for the purpose of transition to IFRS unless otherwise indicated.

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, but are not limited to:

Valuation 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. As at February 29, 2012 the Corporation determined that there were no indicators of impairment in the carrying values of its mineral properties.

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

Note 4 – Significant accounting judgments and estimates (continued)

Useful economic life of property and equipment (continued)

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, 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. 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

Note 4 – Significant accounting judgments and estimates (continued)

Decommissioning and restoration provision (continued)

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.

Income taxes

Income taxes in interim reporting periods 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 interim 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.

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.

Land use agreement receivable

The average daily work camp occupancy rate 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. The work camp was constructed primarily to serve the accommodation needs of the oil sands industry workers. As a result, the actual occupancy rate is likely to be 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.

Note 5 – Significant Accounting Policies (continued)

Revenue Recognition

The Corporation derives the majority of its revenues through the management of aggregate pits where a management fee is earned based on the volume extracted from the pits. The Corporation recognizes revenue at the point that the aggregate material leaves the pit.

Revenue from the sale of construction 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 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.

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:

	Method	Rate
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		
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%

Note 5 – Significant Accounting Policies (continued)

Property and Equipment (continued)

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 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 derecognising 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 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 transferred to development costs. Subsequent development costs are capitalized, including any costs incurred to increase or extend the life of existing production. 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.

Note 5 – Significant Accounting Policies (continued)

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

Impairment of Non-financial Assets (continued)

occur which may affect the recoverable amounts of assets, including the Corporation's investments in mineral properties.

Fair value is determined with reference to discounted estimated future cash flow analysis 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 amounted recognized in prior periods in relation to the option is reversed.

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.

Note 5 – Significant Accounting Policies (continued)

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:

Financial statement item	Classification	Measurement
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
Callable debt	Other financial liabilities	Amortized cost

Note 5 – Significant Accounting Policies (continued)

Financial instruments (continued)

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.

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.

Note 5 – Significant Accounting Policies (continued)

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. 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.

iii. 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.

iv. 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.

v. 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.

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Note 6 – Property and Equipment

Cost at:	Equipment $	Onsite buildings and fences $	Office Complex $	Scales and scale houses $	Total $
December 1, 2010	703,762	95,760	165,016	273,051	1,237,589
additions	11,547		5,035		16,582
write-offs	-	-	-	-	-
November 30, 2011	715,309	95,760	170,051	273,051	1,254,171
additions	15,374	-	3,816	126,699	145,889
write-offs	(48,013)				(48,013)
February 29, 2012	682,670	95,760	173,867	399,750	1,352,047

Accumulated Depreciation at:	Equipment	Onsite buildings and fences	Office Complex	Scales and scale houses	Total
December 1, 2010	303,712	17,799	1,375	55,792	378,678
additions	93,451	9,576	11,127	27,305	141,459
write-offs					-
November 30, 2011	397,163	27,375	12,502	83,097	520,137
additions	18,025	2,394	2,866	8,225	31,510
write-offs	(23,186)				(23,186)
February 29, 2012	392,002	29,769	15,368	91,322	528,461

Carrying value at:	Equipment	Onsite buildings and fences	Office Complex	Scales and scale houses	Total
December 1, 2010	400,050	77,961	163,641	217,259	858,911
November 30, 2011	318,146	68,385	157,549	189,954	734,034
February 29, 2012	290,668	65,991	158,499	308,428	823,586

Depreciation expense for the following periods:	Total $
Period ending February 29, 2012	31,510
Period ending February 28, 2011	35,436

Note 7 – Land Use Agreement Receivable

	February 29, 2012	November 30, 2011	December 1, 2010
Land use agreement receivable	$ 762,384	$ 816,933	$ -
Less current portion of land use agreement receivable	215,873	213,057	-
	$ 546,511	$ 603,876	$ -

Note 7 – Land Use Agreement Receivable (continued)

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. The work camp provider has constructed a facility on the lease that can currently accommodate approximately 500 workers, primarily employed in the oil sands industry. Pursuant to the land use agreement, the work camp provider pays monthly 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 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 proceeds to be received 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. In arriving at the estimated daily work camp occupancy rate, management used the actual daily occupancy rate experienced since inception of the contract. Management has assumed the actual experienced occupancy rate will remain constant over the agreement through October 19, 2015. Total future cash flow from fixed monthly receipts plus estimated receipts for daily occupancy were combined then discounted at a rate of 4.58%. The Land use agreement receivable carrying value is the estimated future discounted proceeds to be received subsequent to February 29, 2012.

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 8 – Resource Properties

	February 29, 2012	November 30, 2011	December 1, 2010
Land	$ 157,100	$ 157,100	$ 157,100
Mineral permits	46,875	41,250	40,000
Mineral leases	13,827	31,802	-
Decommissioning and Restoration costs	274,461	136,457	-
Exploration costs	3,278,929	3,104,396	3,182,276
Development costs	1,271,194	1,223,484	-
	$ 5,042,386	$ 4,694,489	$ 3,379,376

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.

Note 8 – Resource Properties (continued)

The Corporation has seven mineral leases covering 12,800 hectares containing silica sand reserves in the Wood Buffalo region of Alberta, which the Corporation may develop for the production of frac sand. The Corporation has four mineral leases covering 5,835.5 hectares containing salt reserves 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 to February 29, 2012 of approximately $164,615 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 1.98%, resulting in a present value of $134,748, and included in decommissioning and restoration costs.

During the three months ended February 29, 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 29, 2012 of approximately $210,051 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 1.98%, resulting in a present value of $174,348, and included in decommissioning and restoration costs (net of $34,635 accumulated depreciation).

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

	Three months ended February 29, 2012 (hectares)	Year ended November 30, 2011 (hectares)
Balance at the beginning of the period	227,282	504,584
Mineral permits acquired during the period	69,031	22,817
Minerals permits relinquished during the period	-	(300,119)
Balance at end of the period	296,313	227,282

Subsequent to February 29, 2012, the Corporation did not relinquish any mineral permits and acquired additional permits covering 80,519 hectares.

The exploration and development costs were incurred largely in the Fort McMurray and Canadian Shield areas and are comprised of:

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Note 8 – Resource Properties (continued)

Exploration and Development Costs February 29, 2012

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	$3,104,396
Three months ended February 29, 2012 activity											
Clearing costs	-	-	-	-	-	-	-	-	-	-	-
Consulting fees	-	-	-	-	-	7,875	400	-	-	31,528	39,803
Drilling and testing	-	-	-	-	-	9,066	-	-	-	19,807	28,873
Equipment and aircraft rental	-	-	-	-	-	-	-	-	-	39,546	39,546
Land and crop damages	-	-	-	-	-	-	-	-	-	3,415	3,415
Land leases	-	-	-	-	5,716	12,260	-	-	-	-	17,976
Salaries and employee benefits	-	-	-	-	-	6,393	-	-	-	18,570	24,963
Survey	-	-	-	-	-		-	-	-	-	-
Travel	-	-	-	-	-	7,939	-	-	-	10,566	18,505
Permits	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	13	-	-	-	1,439	1,452
Abandoned projects	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	5,716	43,546	400	-	-	124,871	174,533
Transferred to Development Costs	-	-	-	-	-	-	-	-	-	-	-
Cumulative Exploration Costs- February 29, 2012	**$ -**	**-**	**-**	**70,278**	**55,744**	**329,258**	**117,813**	**431,418**	**1,004,544**	**1,269,874**	**$3,278,929**
Development Costs											
Balance at November 30, 2011	$236,082	949,976	37,426	-	-	-	-	-	-	-	$1,223,484
Three months ended February 29, 2012 activity											
Tangible costs- Road building	-	-	-	-	-	-	-	-	-	-	-
Intangible costs- All other	1,129	12,585	50,565	-	-	-	-	-	-	-	64,279
Accumulated Depreciation	-	-	(16,569)	-	-	-	-	-	-	-	(16,569)
Cumulative Development Costs- February 29, 2012	**237,211**	**962,561**	**71,422**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,271,194**
Total Exploration and Development Costs- February 29, 2012	**$237,211**	**962,561**	**71,422**	**70,278**	**55,744**	**329,258**	**117,813**	**431,418**	**1,004,544**	**1,269,874**	**$4,550,123**

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 December 1, 2010	$134,508	68,855	26,277	18,473	47,453	35,760	108,988	430,238	1,004,544	1,307,180	$3,182,276
Year end November 30, 2011 activity											
Clearing costs	-	-	-	-	-	25,687	-	-	-	-	25,687
Consulting fees	375	1,375	-	3,865	1,575	96,393	8,425	-	-	69,176	181,184
Drilling and testing	-	-	-	-	-	104,872	-	1,180	-	13,067	119,119
Equipment and aircraft rental	-	-	-	2,000	-	1,818	-	-	-	14,190	18,008
Land and crop damages	-	-	-	33,977	-	-	-	-	-	-	33,977
Land leases	-	-	-	-	-	-	-	-	-	40,297	40,297
Salaries and employee benefits	7,729	5,950	439	804	1,000	10,499	-	-	-	107,304	133,725
Survey	-	-	7,200	9,800	-	-	-	-	-	-	17,000
Travel	-	-	-	71	-	7,292	-	-	-	21,187	28,550
Permits	-	-	-	-	-	-	-	-	-	7,500	7,500
Other	38	-	42	1,288	-	3,391	-	-	-	16,758	21,517
Abandoned projects	-	-	-	-	-	-	-	-	-	(451,656)	(451,656)
Total	8,142	7,325	7,681	51,805	2,575	249,952	8,425	1,180	-	(162,177)	174,908
Transferred to Development Costs	(142,650)	(76,180)	(33,958)	-	-	-	-	-	-	-	(252,788)
Cumulative Exploration Costs- November 30, 2011	**$ -**	**-**	**-**	**70,278**	**50,028**	**285,712**	**117,413**	**431,418**	**1,004,544**	**1,145,003**	**$3,104,396**
Development Costs											
Balance at December 1, 2010	$ -	-	-	-	-	-	-	-	-	-	$ -
Tangible costs- Road building	-	512,494	-	-	-	-	-	-	-	-	512,494
Intangible costs- All other	236,082	437,482	37,426	-	-	-	-	-	-	-	710,990
Cumulative Development Costs- November 30, 2011	**236,082**	**949,976**	**37,426**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,223,484**
Total Exploration and Development Costs- November 30, 2011	**$236,082**	**949,976**	**37,426**	**70,278**	**50,028**	**285,712**	**117,413**	**431,418**	**1,004,544**	**1,145,003**	**$4,327,880**

Note 9 – Intangible Assets

Cost at:	Susan Lake Management Contract $	Poplar Creek Management Contract $	Poplar Creek Decommissioning and Restoration Costs $	Total $
December 1, 2010	7,800,000	105,000	257,182	8,162,182
additions	-	-	176,222	176,222
November 30, 2011	7,800,000	105,000	433,404	8,338,404
additions	-	-	-	-
February 29, 2012	7,800,000	105,000	433,404	8,338,404
Accumulated Amortization at:				
December 1, 2010	1,757,407	50,098	120,183	1,927,688
amortization for the period	866,667	24,706	61,405	952,778
disposal of land			63,836	63,836
write-offs	-	30,196	187,980	218,176
November 30, 2011	2,624,074	105,000	433,404	3,162,478
amortization for the period	216,667	-	-	216,667
write-offs	-	-	-	-
February 29, 2012	2,840,741	105,000	433,404	3,379,145
Carrying value at:				
December 1, 2010	6,042,593	54,902	136,999	6,234,494
November 30, 2011	5,175,926	-	-	5,175,926
February 29, 2012	4,959,259	-	-	4,959,259

Amortization expense for the following periods:
(reported on income statement as amortization of intangible assets)

	Susan Lake Management Contract $	Poplar Creek Management Contract $	Poplar Creek Decommissioning and Restoration Costs $	Total $
Period ending February 29, 2012	216,667	-	-	216,667
Period ending February 28, 2011	216,667	6,176	15,222	238,065

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 29, 2012 the remaining term of the contract is 69 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 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

Note 9- Intangible Assets (continued)

decommissioning and restoration. As at February 29, 2012 the contracts are in effect, and no portions of the lands have been withdrawn for oil sand lease development (Note 18 c).

Note 10- 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. Impairment of goodwill was tested at transition on December 1, 2010 and November 30, 2011 with a conclusion reached that no impairment has occurred. No events have occurred or circumstances changed that would suggest there could be impairment at February 29, 2012.

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 (six years and seven years at November 30, 2011 and December 1, 2010, respectively). No growth rate was applied to the projections and a discount rate of 9% had been used based on the Corporation's after-tax weighted cost of capital.

Note 11 – Callable Debt	**February 29, 2012**	**November 30, 2011**	**December 1, 2010**
Bank loan, repayable in monthly instalments of $150,000 plus interest at the bank's prime lending rate plus 1.875%, due December 31, 2013.	$3,300,000	$ 3,750,000	$ 5,550,000
Bank loan, repayable in monthly instalments of $771 plus interest at the bank's prime lending rate plus 2%, due June 30, 2013.	12,334	14,646	23,896
Bank loan, repayable in monthly instalments of $2,583 plus interest at the bank's prime lending rate plus 2%, due September 30, 2015.	111,083	118,833	149,833
	$3,423,417	$3,883,479	$ 5,723,729

The bank loans have been classified as current liabilities since the lender has the right to demand repayment at any time. The principal repayment requirements unless demanded for the subsequent four years are expected to be as follows:

March 1, 2012 – February 28, 2013	$1,840,250
March 1, 2013 – February 28, 2014	1,534,083
March 1, 2014 – February 28, 2015	31,000
March 1, 2015 – February 29, 2016	18,084
	$3,423,417

Note 11 – Callable Debt (continued)

The following security is provided for the callable debt and the following additional credit facilities:

- general security agreement
- mortgage over half of a section of land located near Peace River, Alberta (Note 8)
- 36x60 triple wide modular office complex
- withhold of management compensation
- assignment of investment at a minimum of $600,000

The Corporation has a letter of commercial credit for $603,000 to the benefit of the Province of Alberta for decommissioning and restoration at the Susan Lake pit. A cost of 1.75% per annum is charged for the letter of commercial credit.

The Corporation has access to a letter of commercial credit, for which the maximum of $250,000 is available at a cost of 1.75% per annum relating to decommissioning and restoration. As at February 29, 2012, a letter of commercial credit of $248,760 has been issued to the benefit of the Province of Alberta in relation to a miscellaneous lease for a storage yard located at the Poplar Creek site.

The Corporation has access to a letter of commercial credit, for which the maximum of $500,000 is available at a cost of 1.75% per annum relating to decommissioning and restoration. As at February 29, 2012, a letter of commercial credit of $500,000 has been issued to the benefit of the Province of Alberta for decommissioning and restoration at the Poplar Creek pit.

The Corporation has access to a corporate credit card facility, up to a maximum of $50,000.

The Corporation has access to an operating loan, for which the maximum of $250,000 is available at the bank's prime lending rate plus 1.5%. The facility has not been drawn on as at February 29, 2012. There is no lending margin associated with the facility.

As at February 29, 2012 the Corporation is in compliance with the lender's financial covenants.
See Subsequent Events- Note 22

Note 12 – Decommissioning and Restoration Provision

The Corporation has recognized a decommissioning and restoration provision in connection with the Poplar Creek management agreement and related surface material lease acquired November 20, 2008, with the Kearl pit surface material lease for land disturbance occurring during the year ended November 30, 2011, and with the House River pit surface material lease for land disturbance occurring during the three months ended February 29, 2012.

		Three months ended February 29, 2012		Year ended November 30, 2011
Balance at beginning of period	$	587,664	$	267,781
Change in interest rate		2,146		14,241
Accretion		686		7,204
Change in estimate		(3,855)		(184,874)
Kearl pit addition during the period		-		483,312
House River pit addition during period		174,348		-
Balance at end of period	$	760,989	$	587,664

Note 12 – 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 29, 2012 of approximately $539,840. 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 7), 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 in 2013 plus an expected ten year renewal through 2023, with decommissioning and restoration expected to commence in 2022.

These estimated future cash flows have been discounted at a risk-free rate of 1.98%. The Corporation has provided a $500,000 letter of credit to the benefit of the Province 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 11). These estimated future cash flows include an assumed inflation rate of 3%.

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 29, 2012 of approximately $164,615 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 1.98%. The Corporation has provided a $38,300 security deposit paid to the Province 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 during the three months ended February 29, 2012 with the decrease charged against the related asset.

During the three months ended February 29, 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 29, 2012 of approximately $210,051 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 1.98%. The Corporation has provided a $27,430 security deposit paid to the Province 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%.

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. Included in the short-term investment is a $603,000 term deposit backing a letter of commercial credit in the same amount to the benefit of the Province of Alberta for decommissioning and restoration in relation to the Susan Lake management agreement and related surface material lease.

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 13 - 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

Note 13 - Income Taxes (continued)

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:

	February 29, 2012	November 30, 2011	December 1, 2010
Deferred tax assets:			
Decommissioning and restoration provision	$ 190,247	$ 146,916	$ 66,945
Cumulative eligible capital	25,079	25,079	26,756
Prepaid gravel	37,500	37,500	-
Share issue costs	13,990	13,990	13,990
	266,816	223,485	107,691
Deferred tax liabilities:			
Property and equipment	60,429	65,684	59,465
Resource properties	1,183,848	953,901	816,001
Land use agreement receivable	190,596	204,233	-
Intangible assets	1,242,857	1,296,621	1,537,901
	2,677,730	2,520,439	2,413,367
Deferred tax liability	$ 2,410,914	$ 2,296,954	$ 2,305,676

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.

	Three months ended	
	February 29, 2012	February 28, 2011
Income (Loss) before income taxes	$ 2,381,826	$ (1,128)
Statutory Canadian combined corporate tax rate	25.0%	26.5%
Expected tax expense (recovery)	320,456	(299)
Increase (reduction) in income taxes resulting from:		
Non-deductible expenses	28,284	55,564
Other	148,678	(54,503)
Changes in income tax rates	-	2,029
	$ 497,418	$ 762

The provision (benefit) for deferred taxes is comprised of:

Provision for current taxes	$ 383,458	$ (6,369)
Provision for future taxes	113,960	7,131
	$ 497,418	$ 762

Note 14 - 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 February 29, 2012		**Year ended November 30, 2011**	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Balance at beginning of period	27,199,166	$ 6,655,116	27,149,165	$ 6,585,761
Transfer from contributed surplus on exercise of stock options	-	-	-	54,358
Repurchased shares (Note 14 c)	-	-	(215,000)	(52,154)
Issued shares on exercise of stock options (Note 14 d)	-	-	265,001	67,151
Balance at end of period	27,199,166	$ 6,655,116	27,199,166	$ 6,655,116

c) Repurchased common shares:

During the years ended November 30, 2010 and 2011 the Corporation had in place a normal course issuer bid that commenced on July 5, 2010 and terminated on July 5, 2011. During the year ended November 30, 2011 the aggregate cost of the common shares purchased and cancelled was $58,498 of which $52,154 was recorded as a charge against share capital for the average carrying value of the common shares of approximately $0.24 per share with $6,344 charged to retained earnings.

During the three months ended February 29, 2012 the Corporation had in place a normal course issuer bid (the "Bid"). In accordance with the terms of the Bid, the Corporation may purchase up to a total of 1,353,375 common shares representing approximately 5% of the common shares of the Corporation issued and outstanding as at August 1, 2011. The Bid commenced on August 12, 2011 and will terminate on August 12, 2012. All acquisitions of common shares by the Corporation pursuant to the Bid will be made through the facilities of TSX Venture Exchange Inc. (the “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 Exchange.

There are no persons acting jointly or in concert with the Corporation in respect of the Bid. The Corporation is making the Bid in order to stabilize the trading price and provide liquidity in the market for its common shares. During the year ended November 30, 2011 and during the three months ended February 29, 2012 no common shares had been repurchased pursuant to the Bid that commenced on August 12, 2011.

Note 14 - Share Capital (continued)

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 29, 2012			Year ended November 30, 2011		
	Number of Options		**Weighted Average Exercise Price**	**Number of Options**		**Weighted Average Exercise Price**
Options outstanding, beginning of period	2,414,000	$	0.33	2,645,767	$	0.32
Issued	-	$	-	70,000	$	0.35
Expired or cancelled	(1,155,767)	$	0.40	(36,666)	$	0.26
Exercised	-	$	-	(265,001)	$	0.25
Options outstanding, end of period	1,258,333	$	0.27	2,414,100	$	0.33

Of the outstanding stock options, 1,019,461 options were exercisable at February 29, 2012 at a weighted average exercise price of $0.27 per share.

The weighted average remaining contractual life of the options is 2.80 years.

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 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.

Note 14 - Share Capital (continued)

d) Stock options: (continued)

The following is a summary of the outstanding stock options:

Expiry Date	**Exercise Price**	**Number of Options Outstanding February 29, 2011**	**Number of Options Outstanding November 30, 2011**	**Number of Options Outstanding December 1, 2010**
January 8, 2012	$ .40	-	955,767	955,767
October 15, 2012	$ .26	150,000	150,000	150,000
May 13, 2013	$ .40	75,000	75,000	75,000
September 21, 2014	$ .25	450,000	450,000	625,000
October 15, 2014	$ .40	-	100,000	100,000
November 2, 2014	$ .40	-	100,000	100,000
October 15, 2015	$ .26	513,333	513,333	640,000
October 6, 2016	$ .35	70,000	70,000	-
		1,258,333	2,414,100	2,645,767

e) Diluted income per common share

For the three months ended February 29, 2012, there are 1,258,333 stock options that are dilutive. After applying the treasury stock method, the dilutive effect of these securities results in basic and diluted income per share being reportable as follows:

	Three months ended February 29, 2012	**Three months ended February 28, 2011**
Income per common share:		
Basic income per common share	$0.029	$0.000
Diluted income per common share	$0.028	$0.000

For the three months ended February 29, 2012:

	Income (numerator)	Shares (denominator)	Per Share amount
Basic income per share			
Income available to common shareholders	$784,408	27,199,166	$0.029
Effect of dilutive securities stock options	-	529,454	
Diluted income per share			
Income available to common shareholders including assumed conversions	$784,408	27,728,620	$0.028

For the three months ended February 28, 2011 the Corporation has reported a net loss, therefore the effect of potential dilutive securities is anti-dilutive therefore basic and diluted loss per share is the same.

Note 14 - Share Capital (continued)

e) Diluted income per common share (continued)

Options to purchase 1,258,333 common shares at $0.26 to $0.40 per share were outstanding during the three months ended February 29, 2012 and were all included in the computation of diluted income per share as all the options' exercise prices were less than the average market price of the common shares during the period.

Note 15 – Finance Costs

	Three Months Ended	
	February 29, 2012	February 28, 2011
Interest on callable debt	$ 45,439	$ 67,011
Accretion	686	1,166
	$ 46,125	$ 68,177

Note 16 - Related Party Transactions

During the three months ended February 29, 2012 the Corporation incurred expenses of $99,459 (2011 - $123,490) 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:

	Three Months Ended	
	February 29, 2012	February 28, 2011
Directors and officers:		
Directors fees and expenses	$ -	$ 2,250
Travel and miscellaneous	7,132	4,402
	7,132	6,652
Companies controlled by directors and officers:		
Consulting fees for services rendered	72,112	97,292
Travel and miscellaneous	2,250	3,051
Exploration costs	2,965	1,495
Rent	15,000	15,000
	92,327	116,838
	$ 99,459	$ 123,490

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 17 – Compensation of Key Management

	Three Months Ended	
	February 29, 2012	**February 28, 2011**
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:		
Salaries and other benefits	$154,503	$166,550
Share based benefits	$ 18,032	$ 29,187
	$172,535	$195,737

Note 18 - 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, and callable debt.

a) Fair Value

Due to the short-term nature of cash, accounts receivable, and trade and other payables the carrying value of these financial instruments approximate their fair value. The fair value of callable debt, short-term investment and restricted cash 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. 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 29, 2012 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 29, 2012, 78.7% of the Corporation's accounts receivable was due from four customers.

The Corporation's aged accounts receivable are comprised of 69.7% current, 11.3% past due up to 60 days and 19.0% past due over 60 days. While certain amounts are past due, management considers there is no impairment of the accounts receivable.

Included in accounts receivable past due over 60 days is $800,035 owed to the Corporation from a customer who is an oil sands industry participant. This amount has been disputed by the customer however management expects to collect the receivable during the year ending November 30, 2012.

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 Province of Alberta thus bear little credit risk.

Note 18 - Financial Instruments (continued)

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 29, 2012 however the credit facilities are due on demand. The demand feature of the credit facilities increases the Corporation’s liquidity risk as the bank could demand repayment. Management has assessed this risk and believes that it has sufficient capital through internally generated cash flows or alternate sources of financing to mitigate this risk.

As at February 29, 2012 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 and callable loans. In aggregate the contractual maturities and amount due at maturity by fiscal year for these financial liabilities are as follows:

Year 1	$ 5,711,186

The Corporation expects the callable debt will be repaid in monthly amounts, however, the balance of $3,423,417 has been reported above as the lender has the right to demand full repayment at any time.

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 for 2012. The expectation could be adversely affected by a material negative change in the demand for aggregate or the Corporation's management contracts (Note 9).

As discussed in Note 22, subsequent to the period end the Corporation has refinanced its credit facilities. As a result, the credit facilities which are due on demand as at February 29, 2012 will be replaced by term debt which is to be repaid in monthly amounts over four years. The Corporation’s liquidity risk will therefore be reduced as a result of refinancing.

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 29, 2012 the Corporation had USD cash on hand in the amount of $19,716 (CAD $19,648), and no USD denominated trade and other payables.

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 callable debt. A 100 basis point increase in the interest rate on the callable debt would decrease net income and comprehensive income by approximately $26,000.

The Corporation's bank loans bear interest at 1.875% and 2% over the bank’s prime lending rate. As the bank’s prime lending rate fluctuates so will the cost of borrowing. While exposed to interest rate risk in the short term, the Corporation has the ability to convert the variable rate financing to fixed rate financing on the demand loan bearing the bank’s prime lending rate plus 1.875%, due December 31, 2013 thereby significantly reducing the exposure to interest rate risk. Given the ability to convert to a fixed rate bank loan, the Corporation is not exposed to significant interest rate risk.

Note 18 - Financial Instruments (continued)

e) Interest Rate Risk (continued)

As discussed in Note 22, subsequent to the period end, the Corporation has refinanced its credit facilities. Upon refinancing, the Corporation's term debt will bear interest at bank prime plus 1.75% and the operating loan will bear interest at bank prime plus 1%, except for the letters of credit issued from the operating loan that will bear interest at 2.5% over the bank's prime lending rate. The lease facility will bear a fixed rate of interest to be determined at time of funding, currently set at 4.15%.

Note 19 - Capital Disclosures

The Corporation defines capital as equity. 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 callable loans. These covenants include restrictions on capital expenditures, minimum debt service coverage, maximum funded debt, minimum working capital ratio and a minimum equity. The covenants will result in restrictions on the use of capital. As at February 29, 2012 the Corporation is in compliance with these covenants.

There were no changes to the Corporation's capital management during the period ended February 29, 2012.

Note 20 - Supplemental Cash Flow Information

	Three Months Ended	
	February 29, 2012	**February 28, 2011**
The Corporation paid or received cash during the period for the following:		
Interest paid	$ 45,439	$ 67,011
Interest received	$ 7,842	$ 272
Income taxes paid	$ 225,000	$ 25,151

Note 21 – Transition to IFRS

The Corporation's IFRS accounting policies presented in Note 5 have been applied in preparing the financial statements for the period ended February 29, 2012, the comparative information and the opening balance sheet at the Transition Date.

The Corporation has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards* in preparing these IFRS financial statements. The effects of the transition to IFRS on equity, net income (loss) and comprehensive income (loss) and reported cash flows are presented in this section and are further explained in the notes that accompany the tables below. There was no significant impact on the statements of cash flows as a result of adopting IFRS.

First time adoption and exceptions applied

Upon transition to IFRS, IFRS 1 mandates certain exceptions to IFRS and permits certain exemptions from full retrospective application. The Company has applied the mandatory exceptions and elected certain optional exemptions.

Note 21 – Transition to IFRS (continued)

Mandatory exceptions to retrospective application

Estimates

Hindsight was not used to create or revise estimates. The Corporation's estimates in accordance with IFRS at the date of transition are consistent with estimates made for the same date in accordance with Canadian GAAP.

Elected exemptions from full retrospective application

Share-based payment transactions

The Corporation has elected under IFRS to not apply IFRS 2 *Share-based Payments* to stock options that have vested by December 1, 2010, the Transition Date.

Business Combinations

The Corporation has elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS.

Borrowing Costs

The Corporation has elected not to capitalize borrowing costs related to any qualifying asset that has started development as at the transition date. The capitalization of borrowing costs will commence following the transition date.

Note 21 – Transition to IFRS (continued)

Presentation differences

Some financial statement line items are described differently under IFRS than they were under Canadian GAAP. These line items (with Canadian GAAP descriptions in brackets) are:

- Deferred taxes (Future income taxes)
- Share-based compensation (stock-based compensation)
- The statement of net income (loss), comprehensive income (loss) and retained earnings has been replaced by two separate statements: statement of comprehensive income (loss) and statement of changes in equity
- Trade and other payables (accounts payable and accrued liabilities)
- Depreciation and amortization (Amortization)
- Decommissioning and restoration provision (asset retirement obligation)
- Finance costs (interest on callable debt and accretion)

Note 21 – Transition to IFRS (continued)

Reconciliation of balance sheets

	December 1, 2010			
	Note	**Canadian GAAP $**	**Effect of transition to IFRS $**	**IFRS $**
ASSETS				
CURRENT				
Cash		1,296,812	-	1,296,812
Accounts receivable		3,210,246	-	3,210,246
Prepaid expenses		502,546	-	502,546
Short-term investment		603,000	-	603,000
		5,612,604	-	5,612,604
LONG-TERM DEPOSITS		25,050	-	25,050
PROPERTY AND EQUIPMENT		858,911	-	858,911
RESOURCE PROPERTIES	i	3,445,276	(65,900)	3,379,376
INTANGIBLE ASSETS	ii	6,201,442	33,052	6,234,494
GOODWILL		2,537,701	-	2,537,701
		18,680,984	(32,848)	18,648,136
LIABILITIES				
CURRENT				
Trade and other payables		871,279	-	871,279
Income tax payable		700,910	-	700,910
Callable debt		5,723,729	-	5,723,729
		7,295,918	-	7,295,918
DECOMMISSIONING AND RESTORATION PROVISION	ii	231,436	36,345	267,781
DEFERRED INCOME TAX	i, ii, iii	2,357,456	(51,780)	2,305,676
		9,884,810	(15,435)	9,869,375
EQUITY				
SHARE CAPITAL		6,585,761	-	6,585,761
CONTRIBUTED SURPLUS		736,643	-	736,643
RETAINED EARNINGS		1,473,770	(17,413)	1,456,357
		8,796,174	(17,413)	8,778,761
		18,680,984	(32,848)	18,648,136

Note 21 – Transition to IFRS (continued)

Reconciliation of balance sheets

	February 28, 2011			
	Note	**Canadian GAAP $**	**Effect of transition to IFRS $**	**IFRS $**
ASSETS				
CURRENT				
Cash		2,046,007	-	2,046,007
Accounts receivable		1,747,752	-	1,747,752
Prepaid expenses		627,853	-	627,853
Short-term investment		603,000	-	603,000
		5,024,612	-	5,024,612
LONG-TERM DEPOSITS		25,050	-	25,050
PROPERTY AND EQUIPMENT		826,109	-	826,109
RESOURCE PROPERTIES	i	3,552,085	(65,900)	3,486,185
INTANGIBLE ASSETS	ii	5,967,049	29,111	5,996,160
GOODWILL		2,537,701	-	2,537,701
		17,932,606	(36,789)	17,895,817
LIABILITIES				
CURRENT				
Trade and other payables		607,338	-	607,338
Income tax payable		669,390	-	669,390
Callable debt		5,263,667	-	5,263,667
		6,540,395	-	6,540,395
DECOMMISSIONING AND RESTORATION PROVISION	ii	236,242	32,437	268,679
DEFERRED INCOME TAX	i, ii, iii	2,342,324	(29,518)	2,312,806
		9,118,961	2,919	9,121,880
EQUITY				
SHARE CAPITAL		6,533,607	-	6,533,607
CONTRIBUTED SURPLUS		792,207	-	792,207
RETAINED EARNINGS		1,487,831	(39,708)	1,448,123
		8,813,645	(39,708)	8,773,937
		17,932,606	(36,789)	17,895,817

ATHABASCA MINERALS INC.

Notes to Condensed Interim Financial Statements
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Note 21 – Transition to IFRS (continued)

Reconciliation of balance sheets

	November 30, 2011			
	Note	**Canadian GAAP $**	**Effect of transition to IFRS $**	**IFRS $**
ASSETS				
CURRENT				
Cash		1,397,883	-	1,397,883
Accounts receivable		3,778,126	-	3,778,126
Prepaid expenses		327,510	-	327,510
Current portion of land use agreement receivable		213,057	-	213,057
Short-term investment		603,000	-	603,000
		6,319,576		6,319,576
LONG-TERM DEPOSITS		106,590	-	106,590
RESTRICTED CASH		25,522	-	25,522
PROPERTY AND EQUIPMENT		734,034	-	734,034
LAND USE AGREEMENT RECEIVABLE		603,876	-	603,876
RESOURCE PROPERTIES	i, ii	4,729,270	(34,781)	4,694,489
INTANGIBLE ASSETS	ii	5,175,926	-	5,175,926
GOODWILL		2,537,701	-	2,537,701
		20,232,495	(34,781)	20,197,714
LIABILITIES				
CURRENT				
Trade and other payables		1,476,071	-	1,476,071
Income tax payable		271,630	-	271,630
Callable debt		3,883,479	-	3,883,479
		5,631,180	-	5,631,180
DECOMMISSIONING AND RESTORATION PROVISION	ii	446,032	141,632	587,664
DEFERRED INCOME TAX	i, ii, iii	2,341,057	(44,103)	2,296,954
		8,418,269	97,529	8,515,798
COMMITMENTS AND CONTINGENCIES				
EQUITY				
SHARE CAPITAL		6,655,116	-	6,655,116
CONTRIBUTED SURPLUS		795,996	-	795,996
RETAINED EARNINGS		4,363,114	(132,310)	4,230,804
		11,814,226	(132,310)	11,681,916
		20,232,495	(34,781)	20,197,714

Note 21 – Transition to IFRS (continued)

Reconciliation of net income (loss) and comprehensive income (loss)

	Three months ended February 28, 2011			
	Note	**Canadian GAAP $**	**Effect of transition to IFRS $**	**IFRS $**
AGGREGATE MANAGEMENT FEE REVENUE		1,348,330	-	1,348,330
ROYALTIES		356,634	-	356,634
		991,696	-	991,696
Stripping and clearing expenses		-	-	-
Other aggregate management operating expenses		299,868	-	299,868
AGGREGATE MANAGEMENT OPERATING EXPENSES		299,868	-	299,868
		691,828	-	691,828
EXPENSES				
Depreciation of property and equipment		35,436	-	35,436
Amortization of intangible assets	ii	234,393	3,672	238,065
General and administrative		278,828	-	278,828
Finance costs	ii	71,817	(3,640)	68,177
Share-based compensation		55,564	-	55,564
		676,038	32	676,070
INCOME BEFORE OTHER ITEMS		15,790	(32)	15,758
OTHER INCOME (LOSS)				
Interest income		2,131	-	2,131
Miscellaneous (expense)		(17,767)	-	(17,767)
Write down of resource properties and exploration costs		(1,250)	-	(1,250)
		(16,886)	-	(16,886)
LOSS BEFORE INCOME TAXES		(1,096)	(32)	(1,128)
INCOME TAXES				
Current tax (recovery)		(6,369)	-	(6,369)
Deferred tax (benefit) expense	ii, iii	(15,132)	22,263	7,131
		(21,501)	(22,263)	762
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		**20,405**	**(22,295)**	**(1,890)**

ATHABASCA MINERALS INC.

Notes to Condensed Interim Financial Statements
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Note 21 – Transition to IFRS (continued)

Reconciliation of statement of net income and comprehensive income

	Year ended November 30, 2011			
	Note	**Canadian GAAP $**	**Effect of transition to IFRS $**	**IFRS $**
AGGREGATE MANAGEMENT FEE REVENUE		12,179,997	-	12,179,997
ROYALTIES		3,488,213	-	3,488,213
		8,691,784	-	8,691,784
Stripping and clearing expenses		336,730	-	336,730
Other aggregate management operating expenses		1,184,451	-	1,184,451
AGGREGATE MANAGEMENT OPERATING EXPENSES		1,521,181	-	1,521,181
		7,170,603	-	7,170,603
EXPENSES				
Depreciation of property and equipment		141,460	-	141,460
Amortization of intangible assets	ii	937,571	15,206	952,777
General and administrative		1,731,697	-	1,731,697
Finance costs	ii	260,386	(15,289)	245,097
Share-based compensation		113,711	-	113,711
		3,184,825	(83)	3,184,742
INCOME BEFORE OTHER ITEMS		3,985,778	83	3,985,861
OTHER INCOME (LOSS)				
Interest income		8,742	-	8,742
Gain on land use agreement	ii	732,180	(27,213)	704,967
Miscellaneous income (expense)		(6,496)	-	(6,496)
Write down of resource properties and exploration costs		(451,656)	-	(451,656)
Write down of prepaid gravel		(150,000)	-	(150,000)
Write down of intangible assets	ii	(138,086)	(80,090)	(218,176)
Foreign exchange		377	-	377
		(4,939)	(107,303)	(112,242)
INCOME BEFORE INCOME TAXES		3,980,839	(107,220)	3,873,619
INCOME TAXES				
Current tax		1,101,550	-	1,101,550
Deferred tax benefit	ii, iii	(16,399)	(7,677)	(8,722)
		1,085,151	(7,677)	1,092,828
NET INCOME AND COMPREHENSIVE INCOME		**2,895,688**	**(114,897)**	**2,780,791**

Note 21 – Transition to IFRS (continued)

Reconciliation of equity

	Share Capital $	Contributed surplus $	Retained Earnings $	Total $
December 1, 2010 – Canadian GAAP	6,585,761	736,643	1,473,770	8,796,174
Revaluation of carrying value of exploration costs			(65,900)	(65,900)
Revaluation of carrying value of resource property decommissioning and restoration assets			33,052	33,052
Revaluation of carrying value of decommissioning and restoration provision			(36,345)	(36,345)
Deferred tax impact of changes to carrying amounts			51,780	51,780
December 1, 2010 – IFRS	6,585,761	736,643	1,456,357	8,778,761
February 28, 2011 – Canadian GAAP	6,533,607	792,207	1,487,831	8,813,645
Revaluation of carrying value of exploration costs			(65,900)	(65,900)
Revaluation of carrying value of resource property decommissioning and restoration assets			29,111	29,111
Revaluation of carrying value of decommissioning and restoration provision			(32,437)	(32,437)
Deferred tax impact of changes to carrying amounts			29,518	29,518
February 28, 2011 – IFRS	6,533,607	792,207	1,448,123	8,773,937
November 30, 2011 – Canadian GAAP	6,655,116	795,996	4,363,114	11,814,226
Revaluation of carrying value of exploration costs			(65,900)	(65,900)
Revaluation of carrying value of resource property decommissioning and restoration assets			31,119	31,119
Revaluation of carrying value of decommissioning and restoration provision			(141,632)	(141,632)
Deferred tax impact of changes to carrying amounts			44,103	44,103
November 30, 2011 - IFRS	6,655,116	795,996	4,230,804	11,681,916

Notes to Reconciliation

i. Resource Properties

IFRS prohibits the capitalization of exploration costs in advance of holding permits on exploration properties. As a result, the Corporation wrote off $65,900 of capitalized exploration costs as of December 1, 2010, the date of transition, decreasing resource properties and retained earnings by that amount at December 1, 2010, at February 28, 2011 and at November 30, 2011.

For the year ended November 30, 2011 there was a $34,781 decrease in resource properties, comprised of an increase in resource properties decommissioning and restoration assets during the year, less the $65,900 write off of resource properties as of December 1, 2010.

Note 21 – Transition to IFRS (continued)

Notes to Reconciliation (continued)

ii. Decommissioning and Restoration Provision

Under Canadian GAAP the discount rate used is the credit adjusted risk free rate which is set at the time the obligation is established. Under IFRS the discount rate reflects the risks specific to the provision and is updated if conditions change that would require a change in the rate. As well, the accretion expense is classified as a finance cost under IFRS.

The impact on the transition to IFRS was an increase in the decommissioning and restoration provision of $36,345, a $33,052 increase in related decommissioning and restoration assets, and a $3,293 reduction in retained earnings resulting from $24,492 reduced accretion expense on the decommissioning and restoration provision and $27,785 increased amortization expense on decommissioning and restoration assets.

For the quarter ended February 28, 2011 there was a $32,437 increase in decommissioning and restoration provision, a $29,111 increase in the related decommissioning and restoration assets, and a $32 reduction in net income resulting from $3,672 increased amortization expense on decommissioning and restoration assets and from $3,640 reduced accretion expense on the decommissioning and restoration provision.

For the year ended November 30, 2011 there was an increase in the decommissioning and restoration provision of $141,632, and a $107,220 reduction in income before income taxes. The reduction resulted from $15,289 reduced accretion expense on the decommissioning and restoration provision, $15,206 increased amortization expense on decommissioning and restoration assets, and $107,303 increased impairment charges from write off of decommissioning and restoration assets.

ii. Deferred taxes

The carrying values of resource properties, the decommissioning and restoration provision and related decommissioning and restoration assets had changed from re-measurement under IFRS, resulting in changed deferred tax calculations.

The impact on the transition to IFRS was a $51,780 decrease in deferred tax liability and a corresponding increase in retained earnings.

For the quarter ended February 28, 2011 there was a $22,263 reduction in net income resulting from a corresponding increase in deferred tax expense.

For the year ended November 30, 2011 there was a $7,677 reduction in net income resulting from a corresponding decrease in deferred tax benefit.

Note 22 – Subsequent Events

a) Bank Refinancing

On January 26, 2012, the Corporation announced that it has signed a non-binding term sheet with a Canadian chartered bank for a new credit facility in the amount of $10 million. A leasing commitment letter was executed on March 19, 2012, and a lending commitment letter was executed on March 21, 2012. Funding is expected to occur during the month of June 2012.

Note 22 – Subsequent Events (continued)

a) Bank Refinancing (continued)

The new financing arrangement included $4,000,000 of term debt that will be used to retire callable debt outstanding with the Corporation's current lender, of approximately $3,423,417 at February 29, 2012, and will provide approximately $576,583 in further working capital, before transaction costs. A lease financing component is available for the acquisition of $3,000,000 of capital expenditures. As well, a $3,000,000 margin-based, revolving operating line of credit is available.

This will be utilized to replace $1,353,000 of existing letters of credit, and will also provide access to remaining operating line of credit available to finance the Corporation's working capital requirements.

Upon refinancing, the Corporation's term debt will bear interest at bank prime plus 1.75% and the operating loan will bear interest at bank prime plus 1%, except for the letters of credit issued from the operating loan that will bear interest at 2.5% over the bank's prime lending rate. The lease facility will bear a fixed rate of interest to be determined at time of funding, currently set at 4.15%.

The term debt and the lease loan will be repaid over a four and five year period, respectively. A maturity date does not apply to the operating line of credit.

b) Purchase of Property and Equipment

Subsequent to February 29, 2012, the Corporation purchased machinery and equipment totaling approximately $1,934,000. The purchased machinery and equipment will be used primarily at the Susan Lake pit. None of the purchases were financed, as all were paid from operating cash. The bank refinancing disclosed in Note 23 a) has not yet closed. Included is a lease financing component that is available for the acquisition of $3,000,000 of capital expenditures. It is anticipated that the machinery and equipment purchases will all qualify for lease financing from the new lender, resulting in a future cash receipt to the Corporation equal to the purchase cost of these assets.

c) Grant of Stock Options

On March 29, 2012 the Corporation's Board of Directors approved the grant of stock options to purchase 1,205,000 common shares to its directors, officers, employees and consultants. The options were issued with an exercise price of $0.63 per share, vest as to one-third (1/3) on each of 6, 12 and 18 months from the date the respective option agreements were executed, and have a five year term.