# ANNUAL FINANCIAL STATEMENTS

**For the twelve month period ended December 31, 2015**
**and the thirteen month period ended December 31, 2014**

Athabasca
MINERALS INC.

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Athabasca
MINERALS INC.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements have been prepared by and are the responsibility of the management of the Corporation.

The financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgements based on currently available information.

The Corporation maintains an appropriate system of internal controls to provide reasonable assurance that financial information is accurate and reliable and that the Corporation's assets are appropriately safeguarded.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, comprised of independent directors. The Audit Committee reviews the Corporation's annual financial statements and recommends their approval to the Board of Directors. The Corporation's auditors have full access to the Audit Committee, with and without management being present.

The financial statements have been audited by Grant Thornton LLP, Chartered Professional Accountants, Chartered Accountants. Their report outlines the scope of their examination and opinion on the financial statements.

“Scott MacDougall”

Scott MacDougall
President & Chief Executive Officer
Edmonton, Alberta
April 20, 2016

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# Independent Auditor's Report

**Grant Thornton LLP**
1701 Scotia Place 2
10060 Jasper Avenue NW
Edmonton, AB
T5J 3R8

T +1 780 422 7114
F +1 780 426 3208
www.GrantThornton.ca

To the Shareholders of Athabasca Minerals Inc.

We have audited the accompanying financial statements of Athabasca Minerals Inc., which comprise the balance sheets as at December 31, 2015 and December 31, 2014, and the statements of net loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2015 and the thirteen months ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Athabasca Minerals Inc. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the year ended December 31, 2015 and the thirteen months ended December 31, 2014 in accordance with International Financial Reporting Standards.

Edmonton, Canada

April 20, 2016

Chartered Professional Accountants, Chartered Accountants

# ATHABASCA MINERALS INC.
## Balance Sheets

| | As at December 31, 2015 | As at December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | **$ 2,644,430** | $ 828,672 |
| Accounts receivable | **5,006,412** | 6,521,384 |
| Income taxes recoverable | **934,982** | 209,477 |
| Inventory (Note 5) | **2,952,483** | 9,254,701 |
| Prepaid expenses and deposits | **546,020** | 508,732 |
| Land use agreement receivable (Note 9) | **-** | 253,571 |
| | **12,084,327** | 17,576,537 |
| Long-term deposits (Note 6) | **842,443** | 839,007 |
| Restricted cash (Note 7) | **344,923** | 358,229 |
| Property and equipment (Note 8) | **8,782,071** | 8,780,971 |
| Resource properties (Note 10) | **5,900,057** | 7,280,531 |
| Intangible assets (Note 11) | **1,637,037** | 2,503,704 |
| Goodwill (Note 12) | **-** | 2,537,701 |
| **Total Assets** | **$ 29,590,858** | $ 39,876,680 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | **$ 2,088,532** | $ 3,937,424 |
| Current portion of environmental rehabilitation obligations (Note 15) | **14,908** | 100,292 |
| Capital term loan (Note 13) | **495,703** | 1,485,391 |
| Current portion of lease obligations (Note 14) | **1,532,121** | 1,368,959 |
| | **4,131,264** | 6,892,066 |
| Lease obligations (Note 14) | **1,676,458** | 2,494,449 |
| Deferred gain on sale and leaseback | **10,958** | 18,661 |
| Environmental rehabilitation obligations (Note 15) | **1,366,183** | 1,138,347 |
| Deferred tax liability (Note 16) | **1,961,435** | 2,243,352 |
| | **9,146,298** | 12,786,875 |
| Contingencies (Note 24) | | |
| **Equity** | | |
| Share capital (Note 17) | **13,246,758** | 13,246,758 |
| Contributed surplus | **4,479,938** | 3,811,373 |
| Retained earnings | **2,717,864** | 10,031,674 |
| | **20,444,560** | 27,089,805 |
| **Total Liabilities and Equity** | **$ 29,590,858** | $ 39,876,680 |

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

**Approved by the Board of Directors**

" Don Paulencu "
Director

" Michael Peck "
Director

ATHABASCA MINERALS INC.

## Statements of Net Loss and Comprehensive Loss

| | Twelve months ended December 31, 2015 | Thirteen months ended December 31, 2014 |
|---|---|---|
| | | (Note 2) |
| Aggregate Sales Revenue | **$ 12,022,860** | $ 17,622,895 |
| Aggregate Management Services - Revenues | **12,191,947** | 12,041,152 |
| Less: Provincial Government Royalties | **(4,760,668)** | (3,331,690) |
| Aggregate Management Services - Net (Note 11) | **7,431,279** | 8,709,462 |
| **Revenue** | **19,454,139** | 26,332,357 |
| Operating Costs | **7,890,188** | 11,254,083 |
| Amortization and Depreciation | **1,485,605** | 2,369,807 |
| Royalties and Trucking | **5,501,702** | 6,421,859 |
| **Cost of Sales** | **14,877,495** | 20,045,749 |
| **Gross Profit** | **4,576,644** | 6,286,608 |
| General and Administrative | **3,442,522** | 3,580,140 |
| Share-based Compensation | **668,565** | 1,553,673 |
| Amortization of Intangible Assets (Note 11) | **866,667** | 938,888 |
| | **4,977,754** | 6,072,701 |
| **Operating (Loss) Earnings** | **(401,110)** | 213,907 |
| Finance Costs (Note 23) | **303,315** | 440,457 |
| Other Expenses (Note 23) | **7,787,170** | 406,862 |
| Interest Income | **(9,045)** | (12,060) |
| | **8,081,440** | 835,259 |
| **Loss Before Income Taxes** | **(8,482,550)** | (621,352) |
| Current Income Tax (Recovery) Expense (Note 16) | **(886,823)** | 170,580 |
| Deferred Tax (Benefit) Expense (Note 16) | **(281,917)** | 39,247 |
| | **(1,168,740)** | 209,827 |
| **Net Loss and Comprehensive Loss** | **$ (7,313,810)** | $ (831,179) |
| Net Loss per Common Share - Basic (Note 17e) | **$ (0.220)** | $ (0.026) |
| Net Loss per Common Share - Diluted (Note 17e) | **$ (0.220)** | $ (0.026) |
| Weighted Average # of Shares Outstanding | **33,303,650** | 32,231,384 |

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

# ATHABASCA MINERALS INC.
# Statements of Changes in Equity

| | Number of Shares | Share Capital | Contributed Surplus | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| **Balance as at November 30, 2013** | 28,307,500 | $ 7,290,018 | $ 1,692,342 | $10,862,853 | **$19,845,213** |
| Share-based compensation | - | - | 1,553,673 | - | **1,553,673** |
| Options exercised | 608,333 | 395,650 | - | - | **395,650** |
| Warrants exercised | 422,300 | 739,026 | - | - | **739,026** |
| Private placement (Note 17d) | 3,965,517 | 4,870,096 | 879,904 | - | **5,750,000** |
| Share issuance costs, net of tax (Note 17 c and d) | - | (525,561) | 162,983 | - | **(362,578)** |
| Transfer of value on options exercised | - | 290,122 | (290,122) | - | **-** |
| Transfer of value on warrants exercised | - | 187,407 | (187,407) | - | **-** |
| Net loss for the period | - | - | - | (831,179) | **(831,179)** |
| **Balance as at December 31, 2014** | **33,303,650** | **$13,246,758** | **$ 3,811,373** | **$10,031,674** | **$27,089,805** |
| Share-based compensation | - | - | 668,565 | - | **668,565** |
| Net loss for the year | - | - | - | (7,313,810) | **(7,313,810)** |
| **Balance as at December 31, 2015** | **33,303,650** | **$13,246,758** | **$ 4,479,938** | **$ 2,717,864** | **$20,444,560** |

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

ATHABASCA MINERALS INC.

## Statements of Cash Flows

| | Twelve months ended December 31, 2015 | Thirteen months ended December 31, 2014 (Note 2) |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss and comprehensive loss | $ (7,313,810) | $ (831,179) |
| Repayment of environmental restoration obligations (Note 15) | - | (29,108) |
| Cash recovered on income taxes | 161,318 | 26,194 |
| Adjustments for non-cash items: | | |
| Depreciation, amortization, depletion and accretion | 2,360,323 | 3,323,020 |
| Income tax (recovery) expense | (1,168,740) | 209,827 |
| Share-based compensation expense | 668,565 | 1,553,673 |
| Loss on land use agreement (Note 9) | 93,059 | 258,947 |
| Amortization of deferred gain on sale and leaseback | (7,703) | (8,345) |
| Amortization of deferred financing costs (Note 13) | 10,312 | 11,172 |
| Loss on disposal of property and equipment | 174,611 | 139,013 |
| Impairment of inventory (Note 5) | 2,865,602 | - |
| Impairment of goodwill (Note 12) | 2,537,701 | - |
| Amortization of exploration lease costs | 64,968 | - |
| Write-down of resource properties (Note 10) | 2,142,587 | 89,412 |
| Write-off (recovery) of intangible assets (Note 11) | 26,729 | (19,094) |
| Net income adjusted for non-cash items | 2,615,522 | 4,723,532 |
| Net changes in non-cash working capital balances | | |
| Accounts receivable | 1,514,972 | (1,977,536) |
| Inventory | 3,436,616 | (1,799,657) |
| Prepaid expenses and deposits | (37,288) | (90,100) |
| Accounts payable and accrued liabilities | (1,848,892) | (1,036,421) |
| | 5,680,930 | (180,182) |
| **INVESTING ACTIVITIES** | | |
| Long-term deposits | (3,436) | (358,478) |
| Restricted cash | 13,306 | (21,912) |
| Proceeds from land use agreement (Note 9) | 177,247 | 96,352 |
| Proceeds from disposal of property and equipment | 303,699 | 151,671 |
| Purchase of property and equipment (Note 8) | (766,528) | (1,044,215) |
| Spending on resource properties (Note 10) | (847,846) | (1,785,676) |
| | (1,123,558) | (2,962,258) |
| **FINANCING ACTIVITIES** | | |
| Repayment of capital loan term debt (Note 13) | (1,000,000) | (1,083,333) |
| Repayment of lease obligations (Note 14) | (1,741,614) | (1,418,945) |
| Issuance of share capital (Note 17) | - | 6,884,676 |
| Share issuance costs (Note 17) | - | (483,437) |
| | (2,741,614) | 3,898,961 |
| Net increase in cash | 1,815,758 | 756,521 |
| Cash, beginning of period | 828,672 | 72,151 |
| Cash, end of period | $ 2,644,430 | $ 828,672 |

Supplemental cash flow information (Note 22)

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

### Note 1 – Nature of Business

Athabasca Minerals Inc. (the "Corporation" or "Athabasca") is incorporated under the *Business Corporations Act (Alberta).* The Corporation's head office is located at 1319 91st Street, Edmonton, Alberta, Canada T6X 1H1.

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

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

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

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

In 2014, the Corporation changed its financial year-end from November 30th to December 31st. With this fiscal year-end change, the Corporation reported a one-time, transitional thirteen month financial year ending December 31, 2014.

These financial statements of the Corporation for the twelve months ended December 31, 2015 (and comparative results for the thirteen months ended December 31, 2014) have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting policies set out below have been applied to all periods presented in these financial statements. The financial statements are presented in Canadian dollars which is the functional currency of the Corporation.

These financial statements were authorized for issue by the Board of Directors on April 20, 2016.

### Note 3 – Significant management judgements, estimates and changes in accounting policies

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:

## Note 3 – Significant management judgements, estimates and changes in accounting policies (continued)

### Management judgements

*Revenue*

Sales of product are recognized in revenue when the risks and rewards of ownership pass to the customer and the price can be reliably measured.

At Susan Lake, under its aggregate management contract with the government, the Corporation earns a management fee for services provided and recognizes revenue as the fees are earned. Additionally, the Corporation invoices its customers for any royalties applicable on the sale of aggregates, and is responsible to collect and remit all invoiced royalties. An entity acts as a principal (not as an agent) when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. In a principal relationship, billed amounts are reported on a gross basis. In an agency relationship, billed amounts are reported on a net basis as the amounts collected on behalf of the principal are not considered revenue. Determining whether an entity is acting as a principal or agent requires judgment and consideration of all relevant facts and circumstances.

Features that indicate that an entity is acting as a principal include:

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

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

*Impairment of Resource Properties*

Resource 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.

**Note 3 – Significant management judgements, estimates and changes in accounting policies** (continued)

**Management judgements** (continued)

*Commencement of Commercial Production*

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

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

When management determines that a property has commenced commercial production, costs deferred during development, and included in resource properties on the balance sheet, are reclassified as production costs and amortized.

*Leases*

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

**Management estimates**

*Mineral Reserves*

Proven and probable mineral 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 resource properties, property and equipment, environmental rehabilitation obligations, recognition of deferred taxes, depreciation, amortization, depletion and accretion.

**Note 3 – Significant management judgements, estimates and changes in accounting policies** (continued)

**Management estimates** (continued)

*Impairment of Goodwill and Other Assets*

Any goodwill is tested for impairment annually (or more frequently if there is an indication of impairment).

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

Changes in any of the assumptions or estimates used in determining the fair value of goodwill or other assets could impact the impairment analysis.

*Collectability of Accounts Receivable*

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

*Useful Economic Life of Property and Equipment*

The cost less the residual value of each item of property and equipment is depreciated over its useful economic life. Depreciation is charged to amortization 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, equipment and other tangible assets used directly in resource production activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable minerals to be mined from proven and probable mineral reserves.

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

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

**Note 3 – Significant management judgements, estimates and changes in accounting policies** (continued)

**Management estimates** (continued)

*Calculation of Share-based Compensation*

The amount expensed for share-based compensation is based on the application of the Black-Scholes Option Pricing Model, 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.

*Environmental Rehabilitation Obligations ("ERO")*

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

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

*Inventories*

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

*Income Taxes*

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

**Note 3 – Significant management judgements, estimates and changes in accounting policies** (continued)

**Management estimates** (continued)

the tax deductions as assets, which may decrease or increase the income tax expense in the period in which this is determined.

*Land Use Agreement Receivable*

The Corporation recognized a land use agreement receivable at Poplar Creek in connection with a long-term land use agreement with a work camp provider that expired in October 2015. Revenue was recognized at the beginning of the agreement based on estimated future receipts. The average daily work camp occupancy rates used in the determination of the total future proceeds of the land use agreement receivable were an estimate. The Corporation is now recognizing any proceeds received as revenue when received under the current agreement.

**Changes in accounting policies**

Effective January 1, 2015, the Corporation adopted the following new standards and interpretations issued by the IASB or International Financial Reporting Interpretation Committee ("IFRIC"). IFRS 2 'Share-based Payments' is an amendment to clarify the definition of vesting conditions and separately define a performance condition and a service condition. The amendments are effective for a share-based payment transaction for which the grant date is on or after July 1, 2014. The adoption of the amendment did not have a material impact on the financial statements.

IAS 24 'Related Party Disclosures' amendment clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclosure amounts incurred by key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The adoption of the amendment did not have a material impact on the financial statements.

**New accounting standards issued but not yet effective**

*IFRS 9 - Financial Instruments*

In July 2014, the IASB issued a finalized version of IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes all previous versions of the standard. The standard introduces a new model for the classification and measurement of financial assets and liabilities, a single expected credit loss model for the measurement of the impairment of financial assets and a new model for hedge accounting that is aligned with a company's risk management activities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The Corporation is currently evaluating the impact of adopting this standard on its annual financial statements.

**Note 3 – Significant management judgements, estimates and changes in accounting policies** (continued)

*IFRS 15 - Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The Corporation is currently evaluating the impact of adopting this standard on its annual financial statements.

*IFRS 16 - Leases*

In January 2016, the IASB published a new standard, IFRS 16, *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15, *Revenue from Contracts with Customers*, has also been applied.

The Corporation is currently evaluating the impact of adopting this standard on its annual financial statements.

*Clarification of Acceptable Methods of Depreciations and Amortization (Amendments to IAS 16 and IAS 38)*

On May 12, 2014, the IASB issued amendments to IAS 16 “Property, Plant and Equipment” (IAS 16) and IAS 38 “Intangible Assets: (IAS 38). The amendments clarify that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard was to be applied prospectively for reporting periods beginning on or after January 1, 2016 with early application permitted.

**Note 4 – 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.

**Accounts Receivable and Payable**

Accounts receivable and payable are generally non-interest bearing and are recognized at face amount, except when fair value is materially different, in which case, they are subsequently measured at amortized cost. Where necessary, accounts receivable are net of allowances for uncollectible amounts.

**Note 4 – Significant Accounting Policies** (continued)

**Inventory**

Gravel inventory is valued at the lower of average production cost and net realizable value. Net realizable value is calculated as the estimated selling price at the measurement date less future costs required to sell inventory. Production costs are included in inventory, including applicable amortization and depletion of estimated resource properties. The cost of inventory includes, when applicable, the associated costs of crushing and hauling. Any write down of inventory is recognized as a charge against income in the period the write down occurs.

Inventory does not include any parts & supplies on hand. Those items are insignificant and are expensed in the period they are acquired.

**Land Use Agreement Receivable**

The Corporation 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 parcel of developed land at Poplar Creek to the work camp provider. The land use agreement commenced on March 1, 2011 and expired on October 19, 2015. Pursuant to the land use agreement, the work camp provider pays monthly fees and daily accommodation fees to the Corporation. The work camp provider also contributed towards the estimated cost of environmental rehabilitation obligations, not to exceed a non-refundable amount of $300,000 (see Note 7).

In October 2015, the agreement was intended to automatically renew for an equivalent term period, under the same terms and conditions, subject to amendments agreed to in writing by both parties, unless otherwise terminated earlier by written mutual agreement by both parties. The work camp provider continues to pay the monthly fees, and the parties are in discussions to renegotiate terms of the agreement going forward. The monthly fees being received are now being recognized as revenue when received, with no land use agreement receivable being recorded.

**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 |
|---|---|---|
| On-site buildings and fences | Straight line | 10 years |
| Office complex | Straight line | 15 years |
| Scale and scale houses | Straight line | 10 years |
| Stockpile pad | Straight line | 5 years |
| Equipment | | |
| Crushing equipment | Unit-of-production | |
| Mobile home | Straight line | 10 years |
| Computer software | Straight line | 1-3 years |
| Office equipment | Straight line | 3 years |
| Computer hardware | Declining balance | 30% |
| Large equipment | Declining balance | 20% |
| Vehicles | Declining balance | 30% |

Costs for property and equipment include all costs required to bring the asset into its intended use by the Corporation. Significant components of an item of property and equipment with different useful lives are

**Note 4 – Significant Accounting Policies** (continued)

**Property and Equipment** (continued)

recognized and depreciated separately. Depreciation commences when the asset is available for use. Repairs and maintenance expenditures are charged to operations as incurred. Major improvements and replacements, which extend the useful life of an asset, are capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

The residual values, useful lives and method of depreciation of property and equipment are reviewed each financial year and adjustments are accounted for prospectively, if appropriate. 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 de-recognition 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 pit development costs are capitalized on a specific project basis until such time as a resource is defined or the project is abandoned. Any related environmental rehabilitation obligations are also capitalized on an individual project basis as part of resource properties. 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.

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

Resource 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 4 – Significant Accounting Policies** (continued)

**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 at Susan Lake and Poplar Creek, 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.

**Goodwill**

Goodwill is initially measured at cost being the excess of the consideration transferred in a business combination over the Company's net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is assigned to the Company's cash generating unit ("CGU's") that are expected to benefit from the combination, irrespective of whether the assets and liabilities of the acquired are assigned to those CGU's. If a business unit is disposed of, goodwill disposed of is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

**Restricted Cash**

Restricted cash is defined as cash on deposit with financial institutions that is defined for the specific use of reclamation for House River and Poplar Creek.

**Borrowing Costs**

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

**Deferred Financing Costs**

Deferred financing costs consist of costs incurred by the Corporation relating to the issuance of debt. They are amortized over the term of the related debt or if the debt is retired, they are expensed immediately. These costs are netted against the carrying value of the long-term debt, as described in Note 13.

**Note 4 – Significant Accounting Policies** (continued)

**Leases**

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

Any other leases are accounted for as operating leases, wherein payments are expensed as part of cost of sales over the term of the lease.

**Environmental Rehabilitation Obligations ("ERO")**

The Corporation recognizes a liability for restoration, rehabilitation and environmental obligations associated with long-lived assets, including the abandonment of resource 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 reclaim and restore the 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, known as accretion expense, 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 ERO 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. 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.

**Note 4 – Significant Accounting Policies** (continued)

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

Fair value less costs to sell 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.

**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.

**Revenue Recognition**

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

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

**Note 4 – Significant Accounting Policies** (continued)

**Share-based Compensation**

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

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

Any consideration received upon exercise of options is credited to share capital and the associated amounts originally recorded in contributed surplus are transferred to share capital. In the event options are forfeited prior to vesting, the amount recognized in prior periods in relation to the option is reversed.

**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.

Deferred tax liabilities are generally recognized in full, although IAS 12 “Income Tax” specifies limited exemptions. As a result, the Company does not recognize deferred tax on temporary differences relating to goodwill and other intangible assets.

**Note 4 – Significant Accounting Policies** (continued)

**Income (Loss) per Common Share**

Basic income (loss) 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 (loss) 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 period.

**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 |
| Long-term deposits | Loans and receivables | Amortized cost |
| Restricted cash | Loans and receivables | Amortized cost |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |
| Capital term loan | Other financial liabilities | Amortized cost |

**a) Fair value**

When measuring fair values of financial assets and liabilities, the fair values are grouped into three levels of a hierarchy based on the observability of significant inputs used in making the measurements, as follows:

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

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

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

**b) 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.

**Note 4 – Significant Accounting Policies** (continued)

**Financial Instruments** (continued)

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.

**c) 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.

**d) 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 – Inventory

Inventory consists of the following:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Stockpiled crushed gravel | **$ 2,952,483** | $ 6,764,920 |
| Stockpiled sand | **-** | 2,489,781 |
| | **$ 2,952,483** | $ 9,254,701 |

During the twelve months ended December 31, 2015, inventory with a production cost of $4,702,921 (thirteen months ended December 31, 2014 - $6,958,482) was sold and forms part of operating costs.

During the twelve months ended December 31, 2015, the Corporation recorded an impairment on sand inventory of $2,708,252 (2014 - $nil) as management elected to write down all sand inventory to zero value due to the current limited market situation in Alberta. Additionally, the Corporation recorded an impairment on gravel inventory of $157,350 (2014 - $nil) for crushed gravel product located at the Dipper site as the net realizable value is less than cost. These losses on impairment of inventory are recorded in other expenses on the Statement of Net Loss and Comprehensive Loss (see Note 23).

In addition, the Corporation recorded stockpile losses in the twelve months ended December 31, 2015 of $807,806 (2014 - $nil) primarily at the Conklin and Dipper sites. The stockpile losses have been included in operating costs on the Statement of Net Loss and Comprehensive Loss.

### Note 6 – Long-Term Deposits

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Security deposits on gravel leases | **$ 610,884** | $ 607,448 |
| Deposits on lease obligations | **125,629** | 125,629 |
| Security deposits on miscellaneous leases | **105,930** | 105,930 |
| | **$ 842,443** | $ 839,007 |

These long-term deposits are deposits made with various entities to secure certain lease commitments.

### Note 7 – Restricted Cash

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Poplar Creek | **$ 300,000** | $ 294,155 |
| House River | **44,923** | $ 64,074 |
| Restricted Cash | **$ 344,923** | $ 358,229 |

Under the land use agreement with a camp provider at the Poplar Creek site (see Note 9), the Corporation has received and has placed funds on deposit totalling $300,000 (2014 - $294,155) to be first applied toward any costs for reclamation of that site.

The Corporation has also placed funds on deposit totalling $44,923 (2014 - $64,074) to be applied toward reclamation of the House River pit.

# ATHABASCA MINERALS INC.
# Notes to Financial Statements
# For the twelve months ended December 31, 2015 and thirteen months ended December 31, 2014

## Note 8 – Property and Equipment

| Cost at: | Stockpile pad | Crushing equipment | Equipment | On-site buildings and fences | Office complex | Scales and scale houses | Total |
|---|---|---|---|---|---|---|---|
| November 30, 2013 | $ - | $ 3,678,249 | $ 7,388,865 | $ 591,191 | $ 173,867 | $ 655,919 | $ 12,488,091 |
| Additions | - | - | 396,360 | 471,560 | - | 176,295 | 1,044,215 |
| Disposals | - | - | (448,338) | - | - | - | (448,338) |
| December 31, 2014 | - | 3,678,249 | 7,336,887 | 1,062,751 | 173,867 | 832,214 | 13,083,968 |
| Additions | 262,104 | - | 1,438,508 | 135,950 | - | 16,751 | 1,853,313 |
| Disposals | - | - | (1,014,581) | - | - | - | (1,014,581) |
| **December 31, 2015** | **$ 262,104** | **$ 3,678,249** | **$ 7,760,814** | **$ 1,198,701** | **$ 173,867** | **$ 848,965** | **$ 13,922,700** |
| **Accumulated Depreciation at:** | | | | | | | |
| November 30, 2013 | $ - | $ 434,636 | $ 1,952,083 | $ 108,914 | $ 35,557 | $ 192,082 | $ 2,723,272 |
| Additions | - | 247,829 | 1,282,617 | 106,616 | 12,557 | 87,760 | 1,737,379 |
| Write-offs | - | - | (157,654) | - | - | - | (157,654) |
| December 31, 2014 | - | 682,465 | 3,077,046 | 215,530 | 48,114 | 279,842 | 4,302,997 |
| Additions | 21,688 | 94,320 | 1,056,884 | 106,199 | 11,591 | 83,221 | 1,373,903 |
| Disposals | - | - | (536,271) | - | - | - | (536,271) |
| **December 31, 2015** | **$ 21,688** | **$ 776,785** | **$ 3,597,659** | **$ 321,729** | **$ 59,705** | **$ 363,063** | **$ 5,140,629** |
| **Net book value at:** | | | | | | | |
| **December 31, 2015** | **$ 240,416** | **$ 2,901,464** | **$ 4,163,155** | **$ 876,972** | **$ 114,162** | **$ 485,902** | **$ 8,782,071** |
| December 31, 2014 | $ - | $ 2,995,784 | $ 4,259,841 | $ 847,221 | $ 125,753 | $ 552,372 | $ 8,780,971 |
| **Net book value of leased assets included above:** | | | | | | | |
| **December 31, 2015** | **$ -** | **$ 2,901,463** | **$ 2,312,803** | **$ 210,626** | **$ -** | **$ 45,493** | **$ 5,470,385** |
| December 31, 2014 | $ - | $ 2,995,784 | $ 2,241,618 | $ 242,284 | $ - | $ 52,512 | $ 5,532,198 |

| Depreciation expense for the following periods: | Total |
|---|---|
| **Twelve months ending December 31, 2015** | **$ 1,373,903** |
| Thirteen months ending December 31, 2014 | $ 1,737,379 |

During the twelve months ended December 31, 2015, the Corporation obtained property and equipment in the amount of $1,086,785 (2014 - $nil) by entering into finance leases. Acquiring assets by entering into a finance lease involves non-cash investing and financing activities, and accordingly does not appear in the statement of cash flows as a purchase of property, plant and equipment.

## Note 9 – Land Use Agreement Receivable

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Land use agreement receivable | **$ -** | $ 253,571 |
| Less: Current portion of land use agreement receivable | **-** | (253,571) |
| Long-term land use agreement receivable | **$ -** | $ - |
| **Components of Loss on Land Use Agreement** | | |
| Revaluation of estimated future receipts | **$ (76,324)** | $ (89,859) |
| Change in estimated future rehabilitation obligations | **(16,735)** | (169,088) |
| Loss on land use agreement (Note 23) | **$ (93,059)** | $ (258,947) |

**Note 9 – Land Use Agreement Receivable** (continued)

The Corporation had 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 76 acre parcel of developed land out of the depleted portion of the Corporation's miscellaneous lease at Poplar Creek to the work camp provider, transferring 42 acres during fiscal 2011 and a further 34 acres during 2014. The land use agreement commenced on March 1, 2011 and expired on October 19, 2015. Pursuant to the land use agreement, the work camp provider paid monthly fees and daily accommodation fees to the Corporation. The work camps are not being used at this time due to the economic downturn in Alberta.

In October 2015, the agreement was intended to automatically renew for an equivalent term period, under the same terms and conditions, subject to amendments agreed to in writing by both parties, unless otherwise terminated earlier by written mutual agreement by both parties. The work camp provider continues to pay the monthly fees, and the parties are in discussions on the terms of the new agreement going forward. The monthly fees being received are recognized as revenue when received, with no land use agreement receivable recognized.

The actual monthly fees collected was $177,247 during the twelve months ended December 31, 2015 (thirteen months ended December 31, 2014 - $96,352).

The loss on land use agreement for the twelve months ended December 31, 2015, as shown above, is comprised of the revaluation of estimated future receipts of $76,324 (thirteen months ended December 31, 2014 - $89,859) and the increase in estimated future reclamation obligations for this property of $16,735 (thirteen months ended December 31, 2014 – $169,088).

The work camp provider also contributed 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 (see Note 7 – Restricted Cash).

**Note 10 – Resource Properties**

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Exploration costs | **$ 3,121,686** | $ 4,416,427 |
| Pit development costs | **1,778,666** | 1,849,863 |
| Environmental rehabilitation obligation assets | **606,455** | 556,025 |
| Other lease costs | **205,525** | 241,659 |
| Land | **157,100** | 157,100 |
| Mineral permits | **30,625** | 30,625 |
| Mineral leases | **-** | 28,832 |
| | **$ 5,900,057** | $ 7,280,531 |

**Exploration and Pit Development costs**

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

# ATHABASCA MINERALS INC.
# Notes to Financial Statements
# For the twelve months ended December 31, 2015 and thirteen months ended December 31, 2014

**Note 10 – Resource Properties** (continued)

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Exploration costs:** | | |
| Firebag project | **$ 1,102,699** | $ 944,340 |
| Richardson project | **1,048,911** | 1,036,203 |
| Obed project | **80,240** | - |
| Birch Mountain project | **465,101** | 459,415 |
| Dover project | **-** | 1,009,830 |
| Other properties | **424,735** | 966,639 |
| | **$ 3,121,686** | $ 4,416,427 |
| **Pit development costs:** | | |
| Kearl pit | **$ 1,083,898** | $ 1,085,568 |
| Logan pit | **533,353** | 535,065 |
| House River pit | **161,415** | 162,019 |
| KM 248 pit | **-** | 67,211 |
| | **$ 1,778,666** | $ 1,849,863 |

**Exploration Costs**

| | Cowpar | KM 248 | Firebag Project | Richardson Project | Obed | Birch Mountain | Pelican Hill Pit | Hinton Project | Boyle Project | Dover Project | All Other Projects | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at November 30, 2013 | $ - | $ - | $ 522,675 | $ 425,937 | $ - | $ 442,191 | $ 72,636 | $ 52,253 | $ 95,173 | $ 1,008,750 | $ 633,753 | $ 3,253,368 |
| Thirteen months ended December 31, 2014 activity: | | | | | | | | | | | | |
| Spending | 274,513 | 207,350 | 421,665 | 610,266 | - | 17,224 | 32,857 | 4,134 | 22,315 | 1,080 | 142,930 | 1,734,334 |
| Abondoned projects | | | - | - | | - | | - | - | - | (89,412) | (89,412) |
| Total spending in current period | 274,513 | 207,350 | 421,665 | 610,266 | - | 17,224 | 32,857 | 4,134 | 22,315 | 1,080 | 53,518 | 1,644,922 |
| Transferred to pit development costs | (274,513) | (207,350) | - | - | - | - | - | - | - | - | - | (481,863) |
| **Cumulative Exploration Costs- December 31, 2014** | **$ -** | **$ -** | **$ 944,340** | **$ 1,036,203** | **$ -** | **$ 459,415** | **$ 105,493** | **$ 56,387** | **$ 117,488** | **$ 1,009,830** | **$ 687,271** | **$ 4,416,427** |
| Twelve months ended December 31, 2015 activity: | | | | | | | | | | | | |
| Spending | - | - | 105,263 | 11,758 | 486,223 | 4,731 | 30,251 | 3,261 | 6,753 | 11,174 | 188,432 | $ 847,846 |
| Re-class | - | - | 53,096 | 950 | - | 955 | 21,838 | - | - | - | (76,839) | - |
| Abondoned projects | - | - | - | - | (405,983) | - | - | - | (124,241) | (1,021,004) | (591,359) | (2,142,587) |
| Total | - | - | 158,359 | 12,708 | 80,240 | 5,686 | 52,089 | 3,261 | (117,488) | (1,009,830) | (479,766) | (1,294,741) |
| Transferred to pit development costs | - | - | - | - | - | - | - | - | - | - | - | - |
| **Cumulative Exploration Costs - December 31, 2015** | **$ -** | **$ -** | **$ 1,102,699** | **$ 1,048,911** | **$ 80,240** | **$ 465,101** | **$ 157,582** | **$ 59,648** | **$ -** | **$ -** | **$ 207,505** | **$ 3,121,686** |

## Exploration projects

The projects are summarized as follows:

*Richardson Project*

The Corporation holds mineral permits for an area located north of Fort McMurray on which it has identified a deposit of granite and dolomite.

*Firebag Project*

The Corporation received approval for a 32 hectare surface material lease in August 2014 for this project that could end up being a 200 hectare frac sand project. The leases and permitted lands contain silica sand.

**Note 10 – Resource Properties** (continued)

*Birch Mountain Project*

The Corporation holds mineral leases and mineral permits at a location north of Fort McMurray on which it has identified a deposit of silica sand.

*Obed Mountain Project*

In the current year, the Corporation acquired the rights for the acquisition of a rail load-out facility along the Yellowhead highway near the Obed summit. This transaction allows for the opportunity for the Corporation to ship silica sand and gravel to surrounding customers.

*Other Properties*

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

During the twelve months ended December 31, 2015 a total of $2,142,587 (thirteen months ended December 31, 2014 - $89,412) was written off pertaining to abandoned projects that had been previously capitalized. Management re-evaluated the future economic potential of these projects and determined that further financial investment would be unjustified. Consequently those projects were abandoned and their costs written off as a charge against current income.

**Pit development costs**

The Kearl, Logan, House River and KM248 pits are all active “corporate-owned” pits located in the Fort McMurray area. Each pit is operated by the Corporation under the terms of the existing surface material lease in place at each location. Each of these pits is used to supply aggregate (gravel and sand) to customers.

| | Kearl Pit | Logan Pit | House River Pit | KM248 Pit | Cowper Pit | Total |
|---|---|---|---|---|---|---|
| Balance at November 30, 2013 | $1,123,604 | $534,991 | $139,676 | $ - | $ - | $1,798,271 |
| Transferred from exploration costs | - | - | - | 207,350 | 274,513 | 481,863 |
| Thirteen months ended December 31, 2014 activity: | | | | | | |
| Clearing and stripping | 525 | 74 | 22,343 | - | - | 22,942 |
| Total pit development costs prior to depletion | 1,124,129 | 535,065 | 162,019 | 207,350 | 274,513 | 2,303,076 |
| Current period depletion | (38,561) | - | - | (140,139) | (274,513) | (453,213) |
| **Cumulative Pit Development Costs- December 31, 2014** | **1,085,568** | **535,065** | **162,019** | **67,211** | **-** | **1,849,863** |
| Current period depletion | (1,670) | (1,712) | (604) | (67,211) | - | (71,197) |
| **Cumulative Pit Development Costs net of depletion - December 31, 2015** | **$1,083,898** | **$533,353** | **$161,415** | **$ -** | **$ -** | **$1,778,666** |

The environmental rehabilitation obligation assets of $606,455 (2014 - $556,025) pertain to resource properties where the Corporation has the legal and constructive obligation to complete decommissioning, reclamation and restoration costs on the property. Upon recognizing the environmental rehabilitation obligation (ERO), the Corporation sets up an asset in resource properties and the asset is depreciated over the expected life of the associated resource property. See Note 15 for details on the related ERO for

**Note 10 – Resource Properties** (continued)

the assets included here.

Other lease costs of $205,525 (2014 – $241,659) pertain to leases related to several properties located in Alberta.

The land is located near Peace River, Alberta was purchased for $157,100 (2104 - $157,100) as a potential gravel resource property.

The mineral permits of $30,625 (2014 - $30,625) are located largely in the areas of Fort McMurray and Hinton, Alberta. These mineral permits currently consist of approximately 178,000 hectares of land. 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 11 – Intangible Assets

| Cost at: | Susan Lake Management Contract | Poplar Creek Environmental Rehabilitation Obligation Asset | Total |
|---|---|---|---|
| November 30, 2013 | $ 7,800,000 | $ 144,939 | $ 7,944,939 |
| Additions | - | 149,994 | 149,994 |
| December 31, 2014 | 7,800,000 | 294,933 | 8,094,933 |
| Additions | - | 43,464 | 43,464 |
| **December 31, 2015** | **$ 7,800,000** | **$ 338,397** | **$ 8,138,397** |
| **Accumulated Amortization at:** | | | |
| November 30, 2013 | $ 4,357,408 | $ 144,939 | $ 4,502,347 |
| Amortization for the period | 938,888 | - | 938,888 |
| Additions | - | 149,994 | 149,994 |
| December 31, 2014 | 5,296,296 | 294,933 | 5,591,229 |
| Amortization for the year | 866,667 | - | 866,667 |
| Additions | - | 43,464 | 43,464 |
| **December 31, 2015** | **$ 6,162,963** | **$ 338,397** | **$ 6,501,360** |
| **Net book value at:** | | | |
| **December 31, 2015** | **$ 1,637,037** | **$ -** | **$ 1,637,037** |
| December 31, 2014 | $ 2,503,704 | $ - | $ 2,503,704 |

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

The Susan Lake management contract is amortized on a straight-line basis over the life of the contract, with an expiry date of November 30, 2017. As at December 31, 2015 the remaining term of the contract is 23 months. No intangible asset has been established for potential environmental rehabilitation obligations for the disturbed areas of the site covered under the Susan Lake management agreement as it is expected that a third party(ies) will assume the reclamation obligations when they mine the area for oil deposits once the gravel deposits have been depleted.

**Note 11 – Intangible Assets** (continued)

The Poplar Creek pit has been depleted and accordingly its management contract and decommissioning and restoration costs carrying values were written off as at November 30, 2011.

During the twelve months ended December 31, 2015, the estimate for future decommissioning and restoration costs for the Poplar Creek pit increased by $43,464 (thirteen months ended December 31, 2014 – increased by $149,994). Included in the increase is an increase of $16,735 (2014 – increase of $169,088) attributable to the 76 acres related to the land use agreement (see Note 9) and was recorded as a loss on the land use agreement and an increase of $26,729 (2014 – decrease of $19,094) attributable to the 90 acre laydown storage yard and recorded as a write-off (2014 - recovery) of intangible assets. These amounts are included in other expenses on the financial statements (see Note 23 for additional detail).

The terms of the contracts give the Province of Alberta the right to terminate the contracts without cause upon three months written notice. The contracts provide that the Province of Alberta may at any time during the term of the agreement require the Corporation to operate the tender location in cooperation with oil sand lease development. The Province of Alberta also has the right to withdraw any portion of the lands from the contracts and those lands withdrawn shall cease to be the responsibility of the Corporation with respect to any environmental rehabilitation obligations.

**Note 12 - Goodwill**

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

The Susan Lake pit cash generating unit (“CGU”) represents virtually all of the revenues and cash inflows of the acquired entity, with the result that all goodwill was 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. In this case, the recoverable amount is based on value in use. 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 and forecasts for future periods.

Impairment of goodwill has been tested annually in 2015 and 2014 with the conclusion that impairment has occurred for the year ended December 31, 2015. With the management contract ending at November 30, 2017, there is insufficient forecasted cash flow such that the recoverable amount was less than the carrying value of the CGU. The impairment charge for the period ending December 31, 2015 is $2,537,701 (2014 – $nil) which has been recorded in other expenses.

The cash flows were estimated over the duration equal to the remaining life of the current term of the Susan Lake management contract (23 months at December 31, 2015). A 1% (2014 - 1%) annual growth rate was applied to the price per tonne projections since the management fee revenue increases with the consumer price index changes and a discount rate of 20.0% (2014 – 19.3%) had been used based on the Corporation’s after-tax weighted cost of capital.

### Note 13 – Capital Term Loan

| | December 31, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| Capital term loan, repayable in monthly instalments of $83,333 plus interest at the bank's prime lending rate plus 1.75%, due June 8, 2016 | **$** | **500,000** | $ | 1,500,000 |
| Deferred financing costs, amortized over life of debt agreement | | **(4,297)** | | (14,609) |
| | **$** | **495,703** | $ | 1,485,391 |

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

The capital term loan, as shown in the table above, has an outstanding balance as at December 31, 2015 of $500,000 (2014 - $1,500,000) before deferred financing costs. The amount outstanding is considered current as at December 31, 2014 due to demand loan provisions which took effect in June 2014, as per the credit facility.

The Corporation has access to a $3,000,000 demand operating loan with a sub-limit of $2,000,000 available for letters of commercial credit. The operating loan bears interest at the bank's prime lending rate plus 1%. Availability of operating loan borrowing is subject to margin requirements, and is determined based upon acceptable accounts receivable and inventory. No balance was outstanding on the operating loan as at December 31, 2015 (2014 - $nil); however, $675,880 (2014 - $675,880) of the operating loan is committed, although not funded, in order to secure letters of credit totalling $1,351,760 (2014 - $1,351,760) as described below, which bear a different rate of interest.

The Corporation has a letter of commercial credit for $603,000 to the benefit of the Government of Alberta for decommissioning and restoration at the Susan Lake pit. The Corporation has a letter of commercial credit for $248,760 to the benefit of the Government of Alberta for decommissioning and restoration in relation to a miscellaneous lease for a storage yard located at the Poplar Creek site. The Corporation has a letter of commercial credit for $500,000 to the benefit of the Government of Alberta for decommissioning and restoration at the Poplar Creek pit. A cost of 2.50% per annum is charged for each of the letters of commercial credit.

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

Security under the existing facility is as follows:

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

The Corporation is subject to three financial covenants as part of the credit facility. The funded debt to earnings before interest, taxes, stock based compensation, depreciation and amortization (EBITDA) ratio must be less than 2.75 to 1 for all reporting periods subsequent to and including December 31, 2015. The debt service coverage ratio must be more than 1.25 to 1 for all reporting periods subsequent to and including December 31, 2015. The Corporation must maintain a current ratio for all reporting

**Note 13 – Capital Term Loan** (continued)

periods subsequent to and including December 31, 2015 in excess of 1.25 to 1.

As at December 31, 2015, the Corporation is in compliance with the lender's covenants.

Total interest expense on the bank loan for the thirteen months ended December 31, 2015 is $47,811 (2014 - $99,482) (See Note 23).

**Note 14 – Lease Obligations**

| | Interest Rate | Monthly Instalments | December 31, 2015 | December 31, 2014 |
|---|---|---|---|---|
| **Finance Leases** | | | | |
| HSBC Lease #1, due June 30, 2017 | 4.124% | $ 24,457 | $ 403,242 | $ 1,069,748 |
| HSBC Lease #2, due August 31, 2017 | 4.250% | 65,253 | 1,257,847 | 1,970,897 |
| HSBC Lease #3, due August 31, 2017 | 4.250% | 6,627 | 127,832 | 200,247 |
| HSBC Lease #4, due September 21, 2018 | 4.614% | 7,452 | 230,617 | 307,463 |
| HSBC Lease #5, due October 12, 2018 | 4.593% | 7,481 | 238,150 | 315,053 |
| Cat Financial Lease #1, due May 31, 2019 | 3.680% | 3,611 | 135,741 | - |
| Cat Financial Lease #2, due May 31, 2019 | 3.680% | 3,928 | 129,679 | - |
| Cat Financial Lease #3, due May 31, 2019 | 3.680% | 3,927 | 147,612 | - |
| Komatsu Financial Lease #1, due May 8, 2019 | 3.490% | 13,935 | 537,859 | - |
| | | | 3,208,579 | 3,863,408 |
| Current portion - principal due within one year | | | 1,532,121 | 1,368,959 |
| | | | $ 1,676,458 | $ 2,494,449 |

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

| | |
|---|---|
| January 1, 2016 to December 31, 2016 | $ 1,634,303 |
| January 1, 2017 to December 31, 2017 | 1,175,778 |
| January 1, 2018 to December 31, 2018 | 441,220 |
| January 1, 2019 to December 31, 2019 | 113,630 |
| | 3,364,931 |
| Less: interest included in payments above (year one) | 102,182 |
| Less: interest included in payments above (years two and beyond) | 54,170 |
| | 156,352 |
| Lease loan principal outstanding | $ 3,208,579 |

Security on the HSBC leases is provided for the lease obligation as part of the Corporation's credit facility. (See Note 13 – Capital Term Loan for additional information).

The leases entered into in the twelve months ended December 31, 2015 with CAT Financial and Komatsu are fixed interest rate leases and security is provided by the piece of equipment being leased.

Total interest expense on the lease obligations for the year ended December 31, 2015 is $145,975 (2014 - $208,301) (see Note 23).

**Note 14 – Lease Obligations** (continued)

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

| Year | | Amount |
|---|---|---|
| 2016 | $ | 229,715 |
| 2017 | | 219,566 |
| 2018 | | 177,607 |
| 2019 | | 113,163 |
| 2020 | | 6,108 |

**Note 15 – Environmental Rehabilitation Obligations (ERO)**

Provisions for environment rehabilitation obligations were recognized for mining activities at the Corporate owned pits. The provision is estimated based on management's estimates of projected reclamation costs and the timing of such reclamation activities.

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

| | | **Twelve months ended December 31, 2015** | | Thirteen months ended December 31, 2014 |
|---|---|---|---|---|
| Opening balance, ERO | **$** | **1,238,639** | $ | 707,894 |
| Change in estimate | | **73,377** | | 348,268 |
| Change in interest rate | | **36,349** | | 26,730 |
| Accretion expense | | **17,726** | | 14,325 |
| New obligations from disturbance in new pits | | **15,000** | | 170,530 |
| Reclamation funded during the period | | **-** | | (29,108) |
| Ending balance, ERO | | **1,381,091** | | 1,238,639 |
| Less: Current portion, obligations to be funded within one year | | **(14,908)** | | (100,292) |
| | **$** | **1,366,183** | $ | 1,138,347 |

New obligations from disturbance in new pits refer to disturbance in the current period at the new Sunday Creek stockpile, which had not been previously environmentally disturbed by the Corporation. The amount now included in the ERO provision is based on estimated future costs of reclamation activities to reclaim the existing disturbance as at the date of these financial statements. In 2014, new obligations from disturbance in new pits referred to disturbance at the Cowper, KM248, Pelican Hills and Logan Camp sites.

The change in estimate is the result of additional disturbance in existing pits during the period, as well as changes in cost estimates for projected reclamation activities and/or timing assumptions that cause the ERO provision to increase or decrease.

Accretion expense is the expense calculated when updating the present value of the ERO provision. This expense increases the liability based on estimated timing of reclamation activities and the discount rate used in the ERO calculations.

Reclamation funded during the period in 2015 was $nil (2014 – $29,108). In 2014, this included reclamation work done at the Cowper site to level areas of the property.

Change in interest rate reflects changes to the ERO provision based on changes in the discount rate used in the ERO estimates during the period. The discount rates used by the Corporation are based on the Government of Canada bond yields for periods comparable to the expected timing of reclamation activities at each site. These rates ranged from 0.48% to 1.15% as at December 31, 2015 (0.96% to 1.70% as at

**Note 15 – Environmental Rehabilitation Obligations** (continued)

December 31, 2014) depending on the expected timing of reclamation activities. It is expected that reclamation activities for the existing pits will occur between 2016 and 2023 considering the projected production schedules, the timing of reclamation activities included in the Conservation and Reclamation Business Plan, as well as the timing of expiration of the related surface materials lease for each property.

The Corporation has estimated that it will require $1.46 million (2014 - $1.40 million) in undiscounted cash flows to settle these obligations over the next ten years. The payments are expected to be funded by cash generated from operations. It is expected that the Corporation will complete $14,908 of reclamation in 2016 at the Poplar site, so that is considered the current portion of ERO on the financial statements.

The Corporation has paid cash security deposits of $530,914 as at December 31, 2015 (2014 - $527,478) to the Government of Alberta on behalf of the Corporation for ERO provisions on the aggregate pits, and an additional $79,970 (2014 - $79,970) for the Firebag property, where there has been no disturbance yet that would require the Corporation to set up an ERO provision. These deposits are identified in Note 6 - Long-Term Deposits as security deposits on gravel leases.

The Corporation has also posted letters of credit of $748,760 (2014 - $748,760) to the benefit of the Government of Alberta on behalf of the Corporation for ERO obligations at the Poplar Creek sites (see Note 13 – Long-Term Debt for more details).

No ERO provision has been provided for by the Corporation for the disturbed areas of the site covered under the Susan Lake management agreement as it is expected that a third party(ies) will assume the reclamation obligations when they mine the area for oil deposits once the gravel deposits have been depleted. Despite the fact that it is expected that the Corporation will not be expected to complete the reclamation activities at the Susan Lake site, the Corporation has posted a letter of credit of $603,000 to the benefit of the Government of Alberta on behalf of the Corporation for ERO obligations at the Susan Lake property (see Note 13 – Capial Term Loan for more details).

**Note 16 - Income Taxes**

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

**Note 16 - Income Taxes** (continued)

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

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Deferred tax assets:** | | |
| Cumulative eligible capital | $ 35,084 | $ 34,930 |
| Deferred gain on sale and leaseback | 2,959 | 4,665 |
| Share issuance costs and finance fees | 77,869 | 94,366 |
| Other | 71,972 | - |
| Environmental rehabilitation obligation | 337,280 | - |
| Net deferred tax asset | 525,164 | 133,961 |
| **Deferred tax liabilities:** | | |
| Resource properties | $ 1,375,444 | $ 1,259,985 |
| Intangible assets | 442,000 | 625,926 |
| Property and equipment, net of lease obligations | 669,155 | 428,009 |
| Land use agreement receivable | - | 63,393 |
| | 2,486,599 | 2,377,313 |
| Net deferred tax liability | $ 1,961,435 | $ 2,243,352 |

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. The rate changed during the year due to the changes in the provincial statutory rate. These variances are presented here:

| | Twelve months ended December 31, 2015 | Thirteen months ended December 31, 2014 |
|---|---|---|
| Loss before income taxes | $ (8,482,550) | $ (621,352) |
| Statutory Canadian combined corporate tax rate | 26.01% | 25.00% |
| Expected tax benefit | (2,206,311) | (155,338) |
| Increase (decrease) from income taxes resulting from: | | |
| Non-deductible expenses | 177,443 | 400,653 |
| Tax rate changes | 179,468 | - |
| Impairment of goodwill | 660,011 | - |
| Other | 20,649 | (35,488) |
| | $ (1,168,740) | $ 209,827 |
| The provision for taxes is comprised of: | | |
| Provision for current taxes | $ (886,823) | $ 170,580 |
| Provision for deferred taxes | (281,917) | 39,247 |
| | $ (1,168,740) | $ 209,827 |

**Note 17 – Share Capital**

a) Authorized:

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

As at December 31, 2015, the Corporation has 33,303,650 common shares outstanding (2014 – 33,303,650).

b) Repurchased common shares:

The Corporation had in place a normal course issuer bid for up to a total of 1,665,182 common shares that commenced on January 1, 2015 and terminated on December 31, 2015. No common shares were repurchased pursuant to the normal course issuer bid.

c) 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:

| | Twelve months ended December 31, 2015 | | Thirteen months ended December 31, 2014 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| **Options outstanding:** | | | | |
| Beginning of period | 3,006,264 | $ 1.69 | 2,326,666 | $ 0.87 |
| Issued | 1,390,000 | 0.52 | 1,487,931 | 2.45 |
| Expired or cancelled | (979,999) | 1.11 | (200,000) | 1.02 |
| Exercised | - | - | (608,333) | 0.65 |
| End of period | 3,416,265 | $ 1.37 | 3,006,264 | $ 1.69 |

Of the outstanding stock options, as at December 31, 2015, 2,496,265 (2014 – 1,922,643) options have vested and therefore, were exercisable at December 31, 2015 at a weighted average exercise price of $1.72 per share (2014 - $1.38 per share).

The weighted average remaining contractual life of the options is 3.04 years (2014 – 3.13 years).

No options were exercised in the twelve months ended December 31, 2015. The weighted average share price on the dates options were exercised in the thirteen months ended December 31, 2014 is $2.26.

**Note 17 – Share Capital** (continued)

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.

The fair value of the options granted was estimated on the dates of the grant using the Black-Scholes Option Pricing Model. The fair value of the options granted in the last two years were estimated using the following assumptions:

**Options: Assumptions for options issued in the last two years:**

| Grant Date | # of Options | Exercise Price | Dividend Yield | Expected Volatility | Risk free rate of return | Expected life | Weighted Average Fair Value | Forfeiture rate |
|---|---|---|---|---|---|---|---|---|
| December 14, 2015 | 640,000 | $ 0.30 | Nil | 81.3% | 0.79% | 5 years | $ 0.19 | 11.9% |
| May 25, 2015 | 750,000 | $ 0.70 | Nil | 78.4% | 1.05% | 5 years | $ 0.42 | 7.9% |
| | 1,390,000 | | | | | | | |
| October 29, 2014 | 100,000 | $ 1.60 | Nil | 83.4% | 1.04% | 5 years | $ 1.05 | 0.0% |
| June 26, 2014 | 1,000,000 | $ 2.90 | Nil | 71.6% | 1.53% | 5 years | $ 1.72 | 0.0% |
| January 14, 2014 | 150,000 | $ 1.63 | Nil | 71.1% | 1.75% | 5 years | $ 0.97 | 0.0% |
| January 14, 2014 (Agent options) | 237,931 | $ 1.45 | Nil | 69.5% | 1.05% | 2 years | $ 0.69 | 0.0% |
| | 1,487,931 | | | | | | | |

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

Occasionally, the Corporation issues stock options to agents which do not fall under the plan. On January 14, 2014 the Corporation, in connection with a private placement of common shares and warrants, granted agent options to purchase 237,931 common shares for a price of $1.45 per common share for a period of two years (see Note 17 (d)). The value of these options is $162,983 and this was recorded as a share issuance cost.

**Note 17 – Share Capital** (continued)

The following is a summary of the outstanding stock options as at December 31, 2015:

| Expiry Date | Exercise Price | | Options Outstanding - December 31, 2015 | Options Outstanding - December 31, 2014 |
|---|---|---|---|---|
| April 27, 2015 | $ | 2.90 | - | 100,000 |
| October 15, 2015 | $ | 0.26 | - | 160,000 |
| January 14, 2016 | $ | 1.45 | 237,931 | 237,931 |
| March 29, 2017 | $ | 0.63 | 493,333 | 573,333 |
| August 24, 2017 | $ | 1.04 | 50,000 | 50,000 |
| December 11, 2017 | $ | 1.64 | 300,000 | 360,000 |
| September 6, 2018 | $ | 1.02 | 250,000 | 375,000 |
| January 14, 2019 | $ | 1.63 | 150,000 | 150,000 |
| June 26, 2019 | $ | 2.90 | 825,001 | 900,000 |
| October 29, 2019 | $ | 1.60 | 100,000 | 100,000 |
| May 25, 2020 | $ | 0.70 | 370,000 | - |
| December 14, 2020 | $ | 0.30 | 640,000 | - |
| | | | 3,416,265 | 3,006,264 |

d) Warrants:

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

| | Twelve months ended December 31, 2015 | | | Thirteen months ended December 31, 2014 | | |
|---|---|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price | | Number of Warrants | Weighted Average Exercise Price | |
| **Warrants outstanding:** | | | | | | |
| Beginning of period | 1,560,458 | $ | 1.75 | - | $ | - |
| Issued | - | | - | 1,982,758 | | 1.75 |
| Expired or cancelled | - | | - | - | | - |
| Exercised | - | | - | (422,300) | | 1.75 |
| End of period | 1,560,458 | $ | 1.75 | 1,560,458 | $ | 1.75 |

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

**Note 17 – Share Capital** (continued)

The fair values attributed to the common shares and warrants were $4,870,096 and $879,904 respectively.

The fair value of the warrants was determined using the Black-Scholes Option Pricing Model with the following assumptions:

| | |
|---|---|
| Exercise price | $1.75 |
| Dividend yield | Nil |
| Expected Volatility | 69.5% |
| Risk free rate of return | 1.05% |
| Expected life | 2 years |
| Forfeiture rate | 0% |

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

Of the outstanding warrants, 1,560,458 were exercisable at December 31, 2015 at an exercise price of $1.75 per share. As at December 31, 2015, the weighted average remaining contractual life of the options is 0.04 years. The warrants outstanding at year end expired unexercised on January 14th, 2016.

No warrants were exercised in the twelve months ended December 31, 2015 (2014 – 422,300). In the thirteen months ended December 31, 2014, the weighted average share price on the dates warrants were exercised is $2.66.

e) Net (loss) income per common share

| | **Twelve months ended December 31, 2015** | **Thirteen months ended December 31, 2014** |
|---|---|---|
| **Net loss per common share - basic** | | |
| Net loss | **$ (7,313,810)** | $ (831,179) |
| Weigted average number of common shares outstanding | **33,303,650** | 32,231,384 |
| Net loss per common share | **$ (0.220)** | $ (0.026) |
| **Net loss per common share - diluted** | | |
| Net loss | **$ (7,313,810)** | $ (831,179) |
| Weigted average number of common shares outstanding | **33,303,650** | 32,231,384 |
| Effect of dilutive stock | **-** | - |
| Weighted average number of common shares outstanding assuming dilution | **33,303,650** | 32,231,384 |
| Net loss per common share | **$ (0.220)** | $ (0.026) |

**Note 17 – Share Capital** (continued)

During the twelve months ended December 31, 2015, as well as the comparable period ended December 31, 2014, the Corporation was in a net loss position therefore the conversion of convertible securities is considered to be anti-dilutive.

**Note 18 - Related Party Transactions**

During the twelve months ended December 31, 2015, the Corporation incurred expenses of $190,635 (thirteen months ended December 31, 2014 - $224,710) for services provided by certain directors and officers and certain companies controlled by certain directors and officers of the Corporation as further described below.

These costs are recorded in the financial statements as follows:

| | Twelve months ended December 31, 2015 | | Twelve months ended December 31, 2014 | |
|---|---|---|---|---|
| **Directors and Officers:** | | | | |
| Directors fees and expenses | $ | 120,580 | $ | 108,080 |
| Travel and miscellaneous | | 7,055 | | 25,630 |
| | $ | 127,635 | $ | 133,710 |
| **Companies controlled by Directors and Officers:** | | | | |
| Rent | | 63,000 | | 91,000 |
| | $ | 190,635 | $ | 224,710 |

Accounts payable and accrued liabilities includes $2,500 for unpaid expense reimbursement for key management from the above expenses as at December 31, 2015 (2014 - $79,210).

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 19 – Compensation of Key Management**

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

| | Twelve months ended December 31, 2015 | | Thirteen months ended December 31, 2014 | |
|---|---|---|---|---|
| Salaries and other benefits | **$** | **990,000** | $ | 1,025,943 |
| Share-based compensation | | **316,354** | | 1,142,711 |
| | **$** | **1,306,354** | $ | 2,168,654 |

**Note 20 - Financial Instruments**

The Corporation's financial instruments consist of cash, accounts receivable, land use agreement receivable, long-term deposits, restricted cash, accounts payable and accrued liabilities, and capital term loan debt.

a) Fair Value

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

b) Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash, restricted cash, accounts receivable, long-term deposits and land use agreement receivable. The Corporation's maximum credit risk at December 31, 2015 is the carrying value of these financial assets.

In the normal course of business the Corporation evaluates the financial condition of its customers on a continuing basis and reviews the credit worthiness of all new customers. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historical trends and other information. At December 31, 2015, 71.1% (December 31, 2014, 57.0%) of the Corporation's accounts receivable was due from four significant customers, which each owed greater than 10% of total accounts receivable.

The Corporation's aged accounts receivable are comprised of 17.1% current, 74.8% past due up to 60 days and 8.1% past due over 60 days (compared to December 31, 2014 of 33.3% current, 57.4% past due up to 60 days and 9.3% past due over 60 days). While certain amounts are past due, management considers there is no impairment of the accounts receivable.

In 2015, the Corporation did not write off any bad debts or allow for any accounts receivables. In 2014, the Corporation wrote off $628,716 of accounts receivable, of which $250,000 was expensed to bad debts during fiscal 2014, $259,509 during fiscal 2013 and $119,207 during fiscal 2012.

Credit risk associated with cash and restricted cash is minimized substantially by ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade rating. Long-term deposits are held with the Government of Alberta minimizing their credit risk.

c) Liquidity Risk

The Corporation manages liquidity risk by ensuring sufficient funds are available to meet liabilities when they come due. As part of Athabasca's credit facility, the Corporation must maintain certain ratios. The Corporation has complied with all ratios as at December 31, 2015.

As at December 31, 2015 the Corporation has sufficient working capital to fund ongoing operations and meet its liabilities when they come due. Accordingly, the Corporation is not exposed to significant liquidity risk. The Corporation has identified its financial liabilities as accounts payable and accrued liabilities, capital term loan, including interest but excluding deferred financing costs, and lease

**Note 20- Financial Instruments** (continued)

obligations, including interest.

| For the twelve months ended Dec. 31, 2015 | 0 - 1 year | 2 - 3 years | 4 - 5 years | Total |
|---|---|---|---|---|
| **Accounts payable and accrued liabilities** | **$ 2,088,532** | **$ -** | **$ -** | **$ 2,088,532** |
| **Capital term loan, including interest** | **506,490** | **-** | **-** | **506,490** |
| **Lease obligations, including interest** | **1,634,303** | **1,616,998** | **113,630** | **3,364,931** |
| **Total** | **$ 4,229,325** | **$ 1,616,998** | **$ 113,630** | **$ 5,959,953** |

| For the thirteen months ended Dec. 31, 2014 | 0 - 1 year | 2 - 3 years | 4 - 5 years | Total |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 3,937,424 | $ - | $ - | $ 3,937,424 |
| Capital term loan, including interest | 1,049,479 | 506,927 | - | 1,556,406 |
| Lease obligations, including interest | 1,507,544 | 2,456,152 | 142,072 | 4,105,768 |
| Total | $ 6,494,447 | $ 2,963,079 | $ 142,072 | $ 9,599,598 |

The Corporation's projected cash flow from operating activities and existing availability from credit facilities are expected to be greater than anticipated capital expenditures and the contractual maturities of the Corporation's financial liabilities as at December 31, 2015. The expectation could be adversely affected by a material negative change in the demand for aggregate or the Corporation's management contracts (see Note 11 – Intangible Assets for additional information).

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 December 31, 2015 the Corporation had USD cash of $nil (2014 - $875) and no significant USD denominated accounts payable or receivables as at December 31, 2015 or December 31, 2014. As the amounts involved are insignificant, management feels the foreign currency risk for the Corporation is minimal.

e) Interest Rate Risk

The Corporation is exposed to interest rate risk on the variable rate capital term loan. The Corporation's capital term loan bears interest at 1.75% over the bank's prime lending rate. The Corporation's operating loan bears interest at 1.00% over the bank's prime lending rate. As the bank's prime lending rate fluctuates so will the cost of borrowing.

A 100 basis point increase in the interest rate on outstanding debt with variable interest rates would have negatively impacted earnings by approximately $5,000 in 2015 (2014 - $30,000).

**Note 21 - Capital Disclosures**

The capital structure of the Corporation consists of net debt (borrowings, as detailed in Note 13 and Note 14, offset by cash) plus equity (comprised of share capital, contributed surplus and retained earnings). As at December 31, 2015, total managed capital was $21,504,412 (2014 - $31,609,932) consisting of cash of $2,644,430 (2014 - $828,672), shareholders' equity of $20,444,560 (2014 - $27,089,805) and interest bearing debt of $3,704,282 (2014 - $5,348,799).

**Note 21 - Capital Disclosures** (continued)

The Corporation's objective when managing capital is to provide sufficient capital to cover normal operating and capital expenditures. In order to maintain or adjust the capital structure, the Corporation may issue debt, purchase shares for cancellation pursuant to normal course issuer bids or issue new shares. The Corporation is subject to externally imposed capital requirements as discussed in Note 13.

There were no changes to the Corporation's capital management during the twelve months ended December 31, 2015.

**Note 22 - Supplemental Cash Flow Disclosures**

| | Twelve months ended December 31, 2015 | Thirteen months ended December 31, 2014 |
|---|---|---|
| **The Corporation received (paid) cash during the period for:** | | |
| Interest received | $ 9,045 | $ 12,060 |
| Interest paid | (193,786) | (307,782) |
| Income taxes received | 161,318 | 26,194 |

During the twelve months ended December 31, 2015, the Corporation obtained property and equipment in the amount of $1,086,785 (2014 - $nil) by entering into finance leases. Acquiring assets by entering into a finance lease involves non-cash investing and financing activities, and accordingly does not appear in the statement of cash flows as a purchase of property and equipment.

**Note 23 - Supplemental Income Statement Disclosures**

Finance costs are comprised of the following:

| | Twelve months ended December 31, 2015 | Thirteen months ended December 31, 2014 |
|---|---|---|
| Interest on lease obligations (Note 14) | $ 145,975 | $ 208,301 |
| Other interest expense and bank fees | 81,491 | 107,177 |
| Interest on capital term loan (Note 13) | 47,811 | 99,482 |
| ERO accretion expense (Note 15) | 17,726 | 14,325 |
| Amortization of deferred financing costs (Note 13) | 10,312 | 11,172 |
| | $ 303,315 | $ 440,457 |

**Note 23 - Supplemental Income Statement Disclosures** (continued)

Other expenses are comprised of the following:

| | Twelve months ended December 31, 2015 | Thirteen months ended December 31, 2014 |
|---|---|---|
| Loss on impairment of inventory (Note 5) | $ 2,865,602 | $ - |
| Loss on impairment of Susan Lake pit goodwill (Note 12) | 2,537,701 | - |
| Write-down of resource properties (Note 10) | 2,142,587 | 89,412 |
| Loss on disposal of property and equipment | 174,611 | 139,013 |
| Loss on land use agreement (Note 9) | 93,059 | 258,947 |
| Write-down (recovery) of intangible assets (Note 11) | 26,729 | (19,094) |
| Amortization of deferred gain on sale and leaseback | (7,703) | (8,345) |
| Other miscellaneous income | (45,416) | (53,071) |
| | $ 7,787,170 | $ 406,862 |

Employee benefit expenses include wages, salaries, severance pay, bonuses, and group benefit premiums, as well as Canada Pension Plan, Employment Insurance and Workers' Compensation Board contributions. Employee benefit expenses are included in both cost of sales and general and administrative expenses on the income statement.

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

| | Twelve months ended December 31, 2015 | Thirteen months ended December 31, 2014 |
|---|---|---|
| Employee benefit expenses | $ 3,918,275 | $ 5,843,414 |

During the period, the Corporation recognized aggregate sales to individual customers whose purchases represented more than 10% of the Corporation's revenue, as follows:

| | Twelve months ended December 31, 2015 | Thirteen months ended December 31, 2014 |
|---|---|---|
| Sales to first major customer | $ 5,545,134 | $ 7,102,543 |
| Sales to second major customer | 2,841,716 | 3,191,586 |
| Sales to third major customer | 2,837,191 | 2,989,377 |
| Sales to fourth major customer | | 2,979,918 |
| Total sales from major customers | $ 11,224,041 | $ 16,263,424 |

During the twelve months ended December 31, 2015, total sales of $11,224,041 (or 46.3%) (thirteen months ended December 31, 2014 - $16,263,424 (or 61.8%)) were sold to three (2014 – four) major customers (whose individual purchases represented more than 10% of the Corporation's annual revenues for the respective period).

### Note 24 - Contingencies

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

Management believes the counterclaim is without merit and will defend it rigorously.

### Note 25 - Subsequent Events

The warrants outstanding at year end expired on January 14th, 2016.

The Company has entered into a definitive agreement for the sale of Athabasca's rights, title and interests surrounding three leases bordering the Obed Transloading Facility to Wayfinder Corp, for a purchase price of CDN $800,000. Athabasca Minerals has received a CDN $200,000 non-refundable deposit related to this Agreement, with a final closing expected on or before June 30, 2016.