



THREE AND NINE MONTHS ENDED SEPTEMBER 30, **2018**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

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**Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements  
For the three and nine-month periods ended September 30, 2018 and September 30, 2017**

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

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

(signed) "Robert Beekhuizen"

(signed) "Lucas Murray"

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Robert Beekhuizen  
Chief Executive Officer

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Lucas Murray  
Chief Financial Officer

November 8, 2018  
Edmonton, Alberta

## Interim Condensed Consolidated Statements of Financial Position (Unaudited)

	Notes	As at	
		September 30, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 5,702,538	\$ 2,629,371
Accounts receivable	3, 16	2,158,686	1,392,699
Inventory	4	1,373,200	2,083,174
Prepaid expenses and deposits		179,463	103,200
Equipment held for sale	7	-	336,382
<b>Current Assets</b>		<b>9,413,887</b>	<b>6,544,826</b>
Long-term deposits	5	804,232	863,700
Restricted cash	6	2,086,732	1,699,788
Property and equipment	7	1,404,270	4,312,833
Resource properties	8	6,240,437	5,903,241
<b>Total Assets</b>		<b>\$ 19,949,558</b>	<b>\$ 19,324,388</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	16	\$ 841,484	\$ 510,669
Deposit liabilities		957,825	142,671
Current portion of environmental rehabilitation obligations	12	1,603,973	178,001
Current portion of lease obligations	11	51,011	224,967
Lease obligations on equipment held for sale	7, 11	-	230,811
<b>Current Liabilities</b>		<b>3,454,293</b>	<b>1,287,119</b>
Lease obligations	11	-	29,284
Environmental rehabilitation and decommissioning obligations	12	2,303,518	1,784,528
Deferred tax liability		-	524,788
<b>Total Liabilities</b>		<b>5,757,811</b>	<b>3,625,719</b>
<b>Contingency</b>	19		
<b>Shareholders' Equity</b>			
Share capital	13	13,246,758	13,246,758
Contributed surplus		4,713,877	4,641,313
Deficit		(3,768,888)	(2,189,402)
<b>Total Shareholders' Equity</b>		<b>14,191,747</b>	<b>15,698,669</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 19,949,558</b>	<b>\$ 19,324,388</b>

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

Approved by the Board of Directors

" Don Paulencu "  
Director

"Gerry Romanzin"  
Director

## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (Unaudited)

	Notes	Three months ended		Nine months ended September	
		2018	2017	2018	2017
Aggregate Sales Revenue		\$ 1,769,211	\$ 2,026,736	\$ 2,023,693	\$ 2,730,200
Aggregate Management Services - Revenues		1,414,211	2,481,158	3,269,754	4,349,512
Less: Provincial Government Royalties		(227,993)	(1,028,872)	(852,027)	(1,846,710)
Aggregate Management Fees - Net		1,186,218	1,452,286	2,417,727	2,502,802
<b>Revenue</b>		<b>2,955,429</b>	<b>3,479,022</b>	<b>4,441,420</b>	<b>5,233,002</b>
Operating Costs		(1,380,594)	(1,659,003)	(2,426,376)	(3,050,134)
Amortization, Depreciation, and Depletion		(66,614)	(774,439)	(367,966)	(1,312,544)
Royalties and Trucking		(235,419)	(243,638)	(324,254)	(303,434)
Cost of Sales		(1,682,627)	(2,677,080)	(3,118,596)	(4,666,112)
<b>Gross Profit</b>		<b>1,272,802</b>	<b>801,942</b>	<b>1,322,824</b>	<b>566,890</b>
General and Administrative		(713,232)	(858,596)	(1,962,570)	(2,234,773)
Share-based Compensation	13	(30,712)	(12,412)	(72,564)	(59,278)
Amortization of Intangible Asset	9	-	(210,101)	-	(630,303)
Other Operating Expenses	18	(1,664,336)	(475,287)	(1,896,607)	(696,936)
Impairment Loss on Accounts Receivable	16	(9,920)	-	(10,854)	-
<b>Operating Loss</b>		<b>(1,145,398)</b>	<b>(754,454)</b>	<b>(2,619,771)</b>	<b>(3,054,400)</b>
Finance Costs	18	(602)	(7,472)	(8,062)	(33,115)
Other Non-Operating Income	18	94,372	171,138	481,570	412,078
Interest Income		23,942	5,370	45,043	16,567
<b>Loss Before Income Taxes</b>		<b>(1,027,686)</b>	<b>(585,418)</b>	<b>(2,101,220)</b>	<b>(2,658,870)</b>
Income Tax Recovery		245,538	154,215	523,963	700,561
<b>Total Loss and Comprehensive Loss</b>		<b>\$ (782,148)</b>	<b>\$ (431,203)</b>	<b>\$ (1,577,257)</b>	<b>\$ (1,958,309)</b>
Loss per Common Share - Basic	13	\$ (0.023)	\$ (0.013)	\$ (0.047)	\$ (0.059)
Loss per Common Share - Diluted	13	\$ (0.023)	\$ (0.013)	\$ (0.047)	\$ (0.059)
Weighted Average Number of Shares Outstanding	13	33,303,650	33,303,650	33,303,650	33,303,650

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

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

	Notes	Number of Shares	Share Capital	Contributed Surplus	(Deficit) Retained Earnings	Total Equity
Balance as at December 31, 2016		33,303,650	\$ 13,246,758	\$ 4,563,404	\$ 497,739	\$ 18,307,901
Share-based compensation		-	-	59,278	-	59,278
Total loss and comprehensive loss for the period		-	-	-	(1,958,309)	(1,958,309)
Balance as at September 30, 2017		33,303,650	\$ 13,246,758	\$ 4,622,682	\$ (1,460,570)	\$ 16,408,870
Share-based compensation		-	-	18,631	-	18,631
Total loss and comprehensive loss for the period		-	-	-	(728,832)	(728,832)
Balance as at December 31, 2017, as previously stated	2	33,303,650	\$ 13,246,758	\$ 4,641,313	\$ (2,189,402)	\$ 15,698,669
Adjustment on initial application of IFRS 9	2	-	-	-	(2,229)	(2,229)
<b>Adjusted balance as at January 1, 2018</b>	<b>2</b>	<b>33,303,650</b>	<b>\$ 13,246,758</b>	<b>\$ 4,641,313</b>	<b>\$ (2,191,631)</b>	<b>\$ 15,696,440</b>
Share-based compensation		-	-	72,564	-	72,564
Total loss and comprehensive loss for the period		-	-	-	(1,577,257)	(1,577,257)
<b>Balance as at September 30, 2018</b>		<b>33,303,650</b>	<b>\$ 13,246,758</b>	<b>\$ 4,713,877</b>	<b>\$ (3,768,888)</b>	<b>\$ 14,191,747</b>

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

## Interim Condensed Consolidated Statements of Cash Flows

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
<b>OPERATING ACTIVITIES</b>					
Total loss and comprehensive loss		\$ (782,148)	\$ (431,203)	\$ (1,577,257)	\$ (1,958,309)
Environmental rehabilitation obligation payments	12	9,490	(19,461)	(76,828)	(19,738)
Cash recovered on income taxes		-	-	-	183,182
<b>Adjustments for non-cash items</b>					
Stockpile loss	4	14,720	18,190	35,061	170,217
Depreciation	7	66,614	225,706	367,966	698,778
Depletion of pit development costs		-	548,733	-	613,766
Amortization of resource properties lease costs	8	2,778	2,778	8,337	8,337
Amortization of intangible asset	9	-	210,101	-	630,303
Amortization of environmental rehabilitation obligation asset	8	5,488	50,118	11,126	59,566
Change in environmental rehabilitation obligation	12	1,550,667	(45,063)	1,597,707	(23,643)
Change in discount rate recognized in other operating income	12	(5,174)	-	(8,218)	-
Accretion of environmental rehabilitation obligation	12	8,096	5,163	24,288	15,439
Write down of resource properties	8, 18	-	370	124,717	153,719
Write down of long-term deposits	5	1,936	-	10,936	20,043
Loss (gain) on disposal of property and equipment	7	(5,729)	378	(212,604)	378
Impairment of property and equipment	7	100,545	461,921	127,714	461,921
Amortization of deferred gain on sale and leaseback	18	-	-	-	(3,255)
Share-based compensation expense		30,712	12,412	72,564	59,278
Income tax recovery		(245,538)	(154,215)	(523,963)	(700,561)
<b>Changes in non-cash working capital balances</b>					
Accounts receivable		(538,822)	(953,485)	(769,041)	(46,776)
Inventory		679,367	308,975	674,913	(872,574)
Prepaid expenses and deposits		(117,130)	(72,580)	(76,263)	(22,845)
Accounts payable and accrued liabilities		217,853	32,380	330,815	649,712
Deposit liabilities		43,444	-	815,154	-
<b>Net cash from operating activities</b>		<b>1,037,169</b>	<b>201,218</b>	<b>957,124</b>	<b>76,938</b>
<b>INVESTING ACTIVITIES</b>					
Long-term deposits	5	30,532	52,602	48,532	98,654
Restricted cash	6	26,062	(1,352,169)	(386,944)	(1,352,895)
Proceeds on sale of property and equipment	7	45,838	18,858	2,968,461	18,858
Purchase of property and equipment	7	(1,430)	(3,575)	(64,807)	(18,271)
Spending on resource properties	8	(8,161)	(3,297)	(22,148)	(158,565)
Proceeds on sale of test samples	8	-	-	7,000	-
<b>Net cash from/(used in) investing activities</b>		<b>92,841</b>	<b>(1,287,581)</b>	<b>2,550,094</b>	<b>(1,412,219)</b>
<b>FINANCING ACTIVITIES</b>					
Repayment of lease obligations	11	(21,529)	(257,698)	(434,051)	(1,024,856)
<b>Net cash used in financing activities</b>		<b>(21,529)</b>	<b>(257,698)</b>	<b>(434,051)</b>	<b>(1,024,856)</b>
<b>Net change in cash</b>		<b>1,108,481</b>	<b>(1,344,061)</b>	<b>3,073,167</b>	<b>(2,360,137)</b>
Cash, beginning of period		4,594,057	2,979,579	2,629,371	3,995,655
<b>Cash, end of period</b>		<b>\$ 5,702,538</b>	<b>\$ 1,635,518</b>	<b>\$ 5,702,538</b>	<b>\$ 1,635,518</b>

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

## 1. Nature of Business

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

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

The Corporation manages the Susan Lake aggregate (sand and gravel) pit on behalf of the Province of Alberta for which aggregate management services revenues are earned under a contract with an expiry date of November 30, 2017. Although the contract has technically expired, the Corporation continues to manage the Susan Lake aggregate pit with overholding tenancy until further notice from the Province of Alberta.

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

The financial statements for the three and nine months ended September 30, 2018 including comparatives were approved and authorized for issue by the Board of Directors on November 8, 2018.

## 2. Basis of Presentation

### a) Statement of Compliance

The unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 were prepared in accordance with IAS 34 International Accounting Standard – “Interim Financial Reporting” (IAS 34) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) have been condensed or omitted. The significant judgments made by management in applying the Corporation’s accounting policies and the key sources of estimation uncertainty were consistent with those applied to the Corporation’s audited annual financial statements for the year ended December 31, 2017, except as disclosed under changes to significant accounting policies, and should be read in conjunction with those financial statements. Actual results may differ from estimated results due to differences between estimated or anticipated events and actual events and results.

### b) Basis of Presentation

These unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis. These financial statements have been prepared using accounting policies in effect as of December 31, 2017 with exceptions noted under Changes to Significant Accounting Policies.

These unaudited interim condensed consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries Aggregates Marketing Inc. (the “subsidiary”), which was incorporated on March 19, 2018 and AMI Silica Inc, which was incorporated on May 30, 2018.

The assets, liabilities, equity, income, expenses, and cash flows of all entities to the date of these financial statements have been combined and any intercompany investments and transactions have been eliminated upon consolidation. Uniform accounting policies are used by all entities. All transactions in the subsidiaries are reflected in these consolidated financial statements.

### c) Functional and Presentation Currency

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



## 2. Basis of Presentation – continued

### d) Recent Accounting Pronouncements

#### (1) Changes to Significant Accounting Policies

The accounting policies applied in these unaudited interim condensed consolidated financial statements are the same as those applied in the December 31, 2017 audited financial statements, except as discussed below.

#### IFRS 9 – Financial Instruments (“IFRS 9”)

IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. It also introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The Corporation adopted this standard effective January 1, 2018.

The table below summarizes the classification and carrying amount changes upon transition from IAS 39 to IFRS 9 as of January 1, 2018:

Financial statement item	Original under IAS 39		New under IFRS 9	
	Classification	Carrying amount	Classification	Carrying amount
Cash	Loans and receivables	\$ 2,629,371	Amortized cost	\$ 2,629,371
Accounts receivable (1)	Loans and receivables	1,392,699	Amortized cost	1,389,645
Long-term deposits	Loans and receivables	863,700	Amortized cost	863,700
Restricted cash	Loans and receivables	1,699,788	Amortized cost	1,699,788
Accounts payable and accrued liabilities	Other financial liabilities	510,669	Amortized cost	510,669

(1) Accounts receivable that were classified as loans and receivables under IAS 39 are now classified at amortized cost under IFRS 9. Impairment losses increased by \$3,054 as a result of the application of this new standard and was adjusted in opening retained earnings as of January 1, 2018.

As the standard permits on transition to IFRS 9, the Corporation has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements. The difference in the carrying amount of trade receivables has been recorded as an adjustment through opening retained earnings as of January 1, 2018.

#### **Initial recognition and measurement**

The Corporation initially recognizes a financial instrument when it has become party to the contractual provisions of the financial instrument. Financial instruments are initially measured at fair value plus or minus directly attributable transaction costs to acquire or issue the instrument.

#### **Classification and subsequent measurement**

##### Financial assets:

The Corporation classifies its financial assets as either measured at 1) amortized cost using the effective interest method 2) fair value through other comprehensive income or 3) fair value through profit or loss. Classification is based on the Corporation’s business model for managing financial assets, which is to hold the financial asset to collect contractual cash flows, and the contractual cash flows of the asset, which are solely payments of principal and interest.

##### Financial liabilities:

The Corporation classifies and measures its financial liabilities at amortized cost.

## 2. Basis of Presentation – continued

### Derecognition

Financial assets are derecognized when the contractual rights to the cash flows expire or the financial asset is transferred to another entity and the Corporation is no longer entitled to the contractual cash flows or has an obligation to pay the cash flows to another party.

The Corporation writes-off a financial asset when the party to the financial asset has defaulted on their obligations to the Corporation. Default is when there is no longer a reasonable expectation of recovering the asset, which is subject to management judgement, but is typically when either one or a combination of the following events have occurred:

- The party to the financial asset is continuously unresponsive to management’s collection efforts,
- The Corporation has placed a lien on the customer’s project, and/or
- The Corporation has commenced legal action against the customer.

Financial liabilities are derecognized when the liability is discharged, cancels, or expires.

### Impairment

At the end of each reporting date, the Corporation measures loss allowances for financial assets at the 12-month expected credit loss, unless the credit risk of the financial asset has significantly increased since initial recognition, in which case the loss allowance is measured using the lifetime expected credit loss approach. The credit risk of a financial asset has increased significantly since initial recognition when, for example, one or more of the following have occurred:

- The Corporation receives information that the party to the financial asset’s economic position has deteriorated,
- Contractual payments are more than 60 days past due, which is typical for the industry in which the Corporation operates, and/or
- The party to the financial asset is continuously unresponsive to management’s collection efforts.

As is typical in the industry, the Corporation’s customers typically pay after 60 days past due. As such, the Corporation rebuts the presumption in IFRS 9 that there is a significant increase in credit risk once a financial asset is 30 days past due.

### Impairment for trade receivables

The loss allowance for trade receivables, contract assets and lease receivables, without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. Under the lifetime expected credit loss approach, expected credit losses are measured using a present value and probability-weighted model that considers all reasonable and supportable information available without undue cost or effort along with the information available concerning past defaults, current conditions and forecasts at the reporting date. Impairment losses are presented as a decrease in accounts receivable and an expense through the statement of loss and comprehensive loss as impairment loss on trade receivables. If in a subsequent period, the estimated credit loss decreases, the previously recognized impairment loss will be reversed through the statement of loss and comprehensive loss.

The table below summarizes the changes to the statement of financial position as a result of the impairment allowances previously recognized under IAS 39 and the new impairment allowances under IFRS 9 as of January 1, 2018:

Financial statement item	Original under IAS 39	Change on transition to IFRS 9:	New under IFRS 9
Accounts receivable impairment allowance	\$ -	\$ 3,054	\$ 3,054
Deferred tax liability	\$ 524,788	\$ (825)	\$ 523,963
		\$ 2,229	

## 2. Basis of Presentation - continued

### IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 replaced IAS 18, “Revenue”. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Corporation adopted this standard effective January 1, 2018 and applied retrospectively using the cumulative effect method.

Under IAS 18, the previous standard, the amount of revenue was equal to the fair value of the consideration received or receivable, which was the price negotiated with the customer. Under IFRS 15, the transaction price is equal to the amount of consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, which will continue to be the price negotiated with the customer. As such, there was no change in the amount of revenue recognized in the financial statements under the new standard based on the Corporation’s current operations.

The Corporation’s revenue is primarily derived from the sale of aggregates. Athabasca Minerals Inc.’s revenue recognition policy under IAS 18, the previous standard, was to recognize revenue as aggregate material leaves the pit. As the Corporation’s historical contracts have not included any further distinct goods or services, the point of revenue recognition under IFRS 15 will continue to be as aggregate material leaves the pit. As such, there was no change in the timing of revenue recognition under the new standard based on the Corporation’s current operations.

### Revenue Recognition

Prior to revenue being recognized in the statement of loss and comprehensive loss, the Corporation must have an enforceable sales contract, in accordance with customary business practices that clearly outline each party’s rights regarding the goods to be transferred, payment terms, etc.; the contract must have economic substance; and it must be probable that the Corporation will ultimately receive payment.

The Corporation determines the transaction price, which is the contract price net of discounts plus variable consideration, and allocates the transaction price to the performance obligations stated in the contract. Typically, the only performance obligation stated in the Corporation’s contracts is to transfer control of aggregate to the customer.

Revenue is recognized at the point in time where the Corporation has transferred control of the aggregate to the customer, as follows:

#### Corporate Pits

The Corporation sells aggregates from pits which it owns the Alberta Metallic and Industrial Minerals Permits and Surface Material Leases. The Corporation transfers control to the customer and recognizes revenue at the point in time where the aggregate material leaves the pit.

#### Susan Lake Aggregate Pit

The Corporation manages the Susan Lake aggregate pit where a management fee is earned based on the volume extracted from the pit. The Corporation transfers control to the customer and recognizes revenue at the point in time where the aggregate material leaves the pit.

### Contract costs

Any incremental costs of obtaining a contract, such as sales commissions, are capitalized as a contract cost on the statement of financial position, as long as the Corporation expects to recover those costs. Any costs to obtain a contract that would have been incurred whether or not the contract was obtained, are expensed through the statement of loss and comprehensive loss. Any contract costs capitalized are amortized over the contract term. An impairment loss is recognized when the carrying amount of the contract costs exceeds the remaining amount of consideration that the Corporation expects to receive under the contract less the direct costs associated with transferring control of the aggregate to the customer. These impairment losses are recognized through the statement of loss and comprehensive loss, along with any reversals of previous impairment losses.

## 2. Basis of Presentation - continued

### **Contract assets/liabilities**

Depending on the relationship between customer payments and work performed, a contract asset or liability will be presented on the statement of financial position. If the Corporation transfers control of aggregate to the customer prior to payment coming due, a contract asset is shown on the statement of financial position. Similarly, if the Corporation receives payment in advance of transferring control of aggregate to the customer, then a contract liability is shown on the statement of financial position.

### **Practical expedients**

The Corporation will apply the following practical expedient upon transition to IFRS 15:

- As the Corporation used the cumulative effect method upon initial adoption of IFRS 15, the Corporation will only apply IFRS 15 retrospectively to contracts that are not completed contracts as of January 1, 2018.

The Corporation will apply the following practical expedients on an ongoing basis:

- The Corporation's contracts are usually for a term less than one year. As such, the disclosures involving the transaction price allocated to remaining performance obligations is not required. Further, the capitalization of incremental costs of obtaining a contract is not required, as the amortization period of the asset would be the contract term, which is less than one year; and
- The Corporation typically receives payment within the year that the control of the aggregate is transferred to the customer. As such, the amount of considering will not adjusted for the effects of a significant financing component at contract inception.

## (2) Standards Issued But Not Yet Effective

### **IFRS 16 – Leases (“IFRS 16”)**

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

### **IFRIC 23 - Uncertainty Over Income Tax Treatments (“IFRIC 23”)**

This interpretation clarifies the recognition and measurement requirements in IAS 12 Income Taxes for taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates, when there are uncertainties over tax treatments. IFRIC 23 will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted.

This interpretation provides guidance on:

- Whether to consider multiple uncertainties together or separately;
- Assessing how uncertainties affect taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- Assessing the likelihood that a taxation authority will accept an uncertain tax treatment and reflecting the most likely amount that the entity will have to pay.

The Corporation is evaluating any potential impact of adopting this standard on its annual financial statements.

### Note 3 – Accounts Receivable

Trade and other receivables are non-interest bearing and are carried at amortized cost, and impaired using the lifetime expected credit loss approach. During the nine months ended September 30, 2018, the estimated credit loss amounted to \$13,908. The impact of the lifetime expected credit loss on January 1, 2018, was \$3,054.

During the year ended December 31, 2017, an amount receivable of \$418,912 was written off from an individual customer, which was equal to the contractual amount currently outstanding. Although written off, this receivable is still subject to enforcement activity. The Corporation has placed a lien on the project and is working with the customer to arrange a repayment plan.

### Note 4 – Inventory

Inventory with a production cost of \$1,138,513 was sold and is included in operating costs for the three months ended September 30, 2018 (three months ended September 30, 2017: \$1,145,334). Inventory with a production cost of \$1,205,892 was sold and is included in operating costs for the nine months ended September 30, 2018 (nine months ended September 30, 2017: \$1,301,703).

The Corporation recognizes a stockpile loss on all inventory stockpiles based on aerial drone measurements of the individual stockpile's volume. During the three and nine months ended September 30, 2018, the Corporation recognized a stockpile loss of \$14,720 and \$35,061 respectively (three and nine months ended September 30, 2017: \$18,190 and \$170,217 respectively) included in operating costs.

The inventory balance of \$1,373,200 consists of \$264,180 of pit run and \$1,109,020 of crushed gravel (year ended December 31, 2017: \$264,180 of pit run and \$1,818,994 of crushed gravel).

### Note 5 – Long Term Deposits

	As at	
	September 30, 2018	December 31, 2017
Security deposits on gravel leases	\$ 639,212	\$ 637,148
Security deposits on miscellaneous leases	106,520	129,090
	<b>745,732</b>	<b>766,238</b>
Security deposits on exploration leases	58,500	88,500
Deposits on lease obligations	-	8,962
	<b>\$ 804,232</b>	<b>\$ 863,700</b>

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

Management wrote off \$10,936 in uncollectible security deposits on gravel lease during the three and nine months ended September 30, 2018 (year ended December 31, 2017: \$23,480). The impairment is included in other operating expenses.

## Note 6 – Restricted Cash

	As at	
	September 30, 2018	December 31, 2017
<b>Funds on deposit</b>		
Poplar Creek site	\$ 300,000	\$ 300,000
House River pit	50,296	48,028
Susan Lake road reclamation fund surcharge collected	433,436	-
<b>Letters of credit</b>		
Susan Lake pit	603,000	603,000
Poplar Creek Site, storage yard	180,000	248,760
Poplar Creek pit	500,000	500,000
Credit card facility	20,000	-
	<b>\$ 2,086,732</b>	<b>\$ 1,699,788</b>

The Corporation has placed funds on deposit to be applied toward the costs of reclamation for the Poplar Creek site and the House River pit for the three and nine months ended September 30, 2018 of \$350,296 (year ended December 31, 2017: \$348,028).

Effective December 1, 2017, the Corporation began charging a surcharge of \$1.00/cubic yard for all aggregate sold out of Susan Lake at the gravel rate. This surcharge is restricted to be used for reclamation of the access road into the pit. Any excess of funds collected over funds used for reclamation of the access road will be refunded to the Susan Lake pit users proportionately.

The Corporation has secured its letters of credit to the benefit of the Government of Alberta for decommissioning and restoration with guaranteed investment certificates for the three and nine months ended September 30, 2018 in the amount of \$1,283,000 (year ended December 31, 2017: secured with cash on deposit of \$1,351,760).

Effective July 4, 2018, the Corporation has secured its credit card facility with cash on deposit in the amount of \$20,000 (year ended December 31, 2017: \$nil).

## Note 7 – Property and Equipment

	Stockpile pad	Crushing equipment	Equipment	On-site buildings	Office complex	Scales and scale houses	Total
<b>Cost:</b>							
December 31, 2016	\$ 262,104	\$ 3,307,455	\$ 7,344,200	\$ 1,156,851	\$ 173,867	\$ 848,965	\$ 13,093,442
Additions	-	-	141,802	2,200	-	-	144,002
Disposals	-	-	(514,408)	(77,035)	-	-	(591,443)
Impairment	-	(515,860)	(78,730)	(496,451)	(69,705)	(78,712)	(1,239,458)
Transfer to held for sale	-	-	(595,016)	-	-	-	(595,016)
<b>December 31, 2017</b>	<b>\$ 262,104</b>	<b>\$ 2,791,595</b>	<b>\$ 6,297,848</b>	<b>\$ 585,565</b>	<b>\$ 104,162</b>	<b>\$ 770,253</b>	<b>\$ 10,811,527</b>
Additions	-	-	64,807	-	-	-	64,807
Disposals	-	(2,791,595)	(1,895,413)	(424,951)	-	(140,843)	(5,252,802)
Impairment	-	-	(33,984)	(62,134)	-	(31,596)	(127,714)
<b>September 30, 2018</b>	<b>\$ 262,104</b>	<b>\$ -</b>	<b>\$ 4,433,258</b>	<b>\$ 98,480</b>	<b>\$ 104,162</b>	<b>\$ 597,814</b>	<b>\$ 5,495,818</b>

### Accumulated Depreciation:

December 31, 2016	\$ 74,109	\$ 991,595	\$ 4,356,758	\$ 427,954	\$ 92,571	\$ 448,674	\$ 6,391,661
Additions	52,421	-	682,924	90,799	11,591	83,222	920,957
Disposals	-	-	(478,255)	(77,035)	-	-	(555,290)
Transfer to held for sale	-	-	(258,634)	-	-	-	(258,634)
<b>December 31, 2017</b>	<b>\$ 126,530</b>	<b>\$ 991,595</b>	<b>\$ 4,302,793</b>	<b>\$ 441,718</b>	<b>\$ 104,162</b>	<b>\$ 531,896</b>	<b>\$ 6,498,694</b>
Additions	39,316	-	308,397	26,022	-	52,446	426,181
Disposals	-	(991,595)	(1,353,614)	(382,546)	-	(105,572)	(2,833,327)
<b>September 30, 2018</b>	<b>\$ 165,846</b>	<b>\$ -</b>	<b>\$ 3,257,576</b>	<b>\$ 85,194</b>	<b>\$ 104,162</b>	<b>\$ 478,770</b>	<b>\$ 4,091,548</b>

### Net book value:

December 31, 2016	\$ 187,995	\$ 2,315,860	\$ 2,987,442	\$ 728,897	\$ 81,296	\$ 400,291	\$ 6,701,781
December 31, 2017	\$ 135,574	\$ 1,800,000	\$ 1,995,055	\$ 143,847	\$ -	\$ 238,357	\$ 4,312,833
<b>September 30, 2018</b>	<b>\$ 96,258</b>	<b>\$ -</b>	<b>\$ 1,175,682</b>	<b>\$ 13,286</b>	<b>\$ -</b>	<b>\$ 119,044</b>	<b>\$ 1,404,270</b>

### Net book value of leased assets included above:

December 31, 2016	\$ -	\$ 2,315,860	\$ 1,608,677	\$ 178,968	\$ -	\$ 38,477	\$ 4,141,982
December 31, 2017	\$ -	\$ 1,800,000	\$ 1,314,010	\$ 24,027	\$ -	\$ 31,460	\$ 3,169,497
<b>September 30, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 158,732</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 158,732</b>

### Depreciation expense for the following periods:

	Total
Nine months ended September 30, 2017 depreciation to statement of loss and comprehensive loss	\$ 698,778
Nine months ended September 30, 2017 depreciation to inventory	\$ 4,962
<b>Nine months ended September 30, 2018 depreciation to statement of loss and comprehensive loss</b>	<b>\$ 367,966</b>
<b>Nine months ended September 30, 2018 depreciation to repayment of environmental rehabilitation obligations</b>	<b>\$ 58,215</b>

During the nine months ended September 30, 2018, management identified specific property and equipment assets being carried at an amount above the assets' recoverable amount, resulting in the recognition of an impairment of \$127,714 (nine months ended September 30, 2017: \$461,921) included in other operating expenses. Impairment was taken on two mobile labs, a wellsite trailer, and three trailers included in on-site buildings, a scale trailer included in scales and scale houses as well as various equipment as these assets were damaged beyond repair. The net book value of these assets exceeded their recoverable amounts, being fair value less costs to sell. The recoverable amounts for these assets were estimated as \$nil. The recoverable amounts were based on a third-party fair value appraisal performed in April of 2018, as well as recent sales agreements and appraisals of similar assets in the same geographical location, less costs of disposal. This is a Level 2 fair value hierarchy measurement and has not changed from the prior year.



## Note 7 – Property and Equipment – continued

During the three and nine months ended September 30, 2018, the Corporation sold property and equipment with a carrying amount of \$2,755,857 for net proceeds of \$2,968,461, which resulted in a gain of \$212,604. Included in the property and equipment sold were the Corporation's crusher and wheel loader, which made up \$2,136,382 of the carrying amount of the assets sold. A portion of the net proceeds were used to repay the outstanding lease obligation to Komatsu Financial and the remaining balance on the HSBC Bank Canada leases of \$95,881.

As of December 31, 2017, equipment held for sale with a carrying amount of \$336,382 includes a wheel loader that was originally financed through Komatsu Financial. This piece of equipment was sold on April 27, 2018 for proceeds of \$500,040 resulting in a gain of \$163,658, which is included in the total gain to September 30, 2018 of \$212,604. A portion of the proceeds were used to repay the outstanding lease obligation of \$178,032 on the date of sale.

## Note 8 – Resource Properties

	As at	
	September 30, 2018	December 31, 2017
Exploration costs	\$ 1,345,593	\$ 2,703,197
Pit development costs	3,055,102	1,807,067
Environmental rehabilitation obligation assets	1,544,811	1,089,709
Other costs	294,931	303,268
	<b>\$ 6,240,437</b>	<b>\$ 5,903,241</b>

### Exploration and Pit Development Costs

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

The following table summarizes what comprises exploration costs:

	Firebag Project	Richardson Project	Obed	Pelican Hill Pit	Hinton Project	Steepbanks	All Other Projects	Total
Cumulative Exploration Cost at December 31, 2016	\$ 1,108,038	\$ 1,090,029	\$ 84,452	\$ 157,582	\$ 83,690	\$ 101,622	\$ 305,605	2,931,018
Spending	28,292	877	57	-	399	3,854	134,308	167,787
Abandoned projects	-	-	(84,509)	-	-	-	(311,099)	(395,608)
<b>Cumulative Exploration Costs at December 31, 2017</b>	<b>\$ 1,136,330</b>	<b>\$ 1,090,906</b>	<b>\$ -</b>	<b>\$ 157,582</b>	<b>\$ 84,089</b>	<b>\$ 105,476</b>	<b>\$ 128,814</b>	<b>\$ 2,703,197</b>
Spending	5,025	-	-	-	7,634	-	9,489	22,148
Sale of samples	-	-	-	-	-	-	(7,000)	(7,000)
Abandoned projects	-	-	-	-	-	-	(44,549)	(44,549)
Transfer to pit development costs	(1,141,355)	-	-	(157,582)	-	-	(29,266)	(1,328,203)
<b>Cumulative Exploration Costs at September 30, 2018</b>	<b>\$ -</b>	<b>\$ 1,090,906</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,723</b>	<b>\$ 105,476</b>	<b>\$ 57,488</b>	<b>\$ 1,345,593</b>

During the nine months ended September 30, 2018, the Corporation recorded a \$44,549 impairment on eight projects previously included in exploration assets (year ended December 31, 2017: \$395,608 on nine projects). Management re-evaluated the future economic potential of these projects and determined that further financial investment would be unjustified. As a result, those projects were abandoned and the impairment is recognized in other operating expenses.

During the nine months ended September 30, 2018, the Corporation sold test hole data, logs, photos, maps and samples to a third party for proceeds of \$7,000. The proceeds approximated the costs to obtain the samples. As such, no gain or loss on sale was recognized.



## Note 8 – Resource Properties – continued

The Corporation transferred the exploration costs for Firebag to pit development costs as this project was determined to be commercially and technically viable and a decision to develop has been made. Exploration costs for Pelican Hill Pit, Logan and House River were also transferred to pit development costs, as the Corporation received approval to mine.

The following table summarizes what comprises development costs:

	Firebag	Kearl Pit	Logan Pit	House River Pit	KM248 Pit	Pelican	Emerson	Lynton	Total
Cumulative Pit Development Costs at December 31, 2016	\$ -	\$ 1,083,898	\$ 533,353	\$ 161,415	\$ 603,000	\$ 72,775	\$ 491	\$ -	\$ 2,454,932
Acquisition	-	-	131	10,491	-	-	-	44	10,666
Current period depletion	-	-	(55,531)	-	(603,000)	-	-	-	(658,531)
<b>Cumulative Pit Development Costs at December 31, 2017</b>	<b>\$ -</b>	<b>\$ 1,083,898</b>	<b>\$ 477,953</b>	<b>\$ 171,906</b>	<b>\$ -</b>	<b>\$ 72,775</b>	<b>\$ 491</b>	<b>\$ 44</b>	<b>\$ 1,807,067</b>
Additions	-	-	-	-	-	-	-	-	-
Transfers from exploration costs	1,141,355	-	895	28,371	-	157,582	-	-	1,328,203
Current period depletion	-	-	-	-	-	-	-	-	-
Abandoned projects	-	(41,364)	-	(38,804)	-	-	-	-	(80,168)
<b>Cumulative Pit Development Costs at September 30, 2018</b>	<b>\$ 1,141,355</b>	<b>\$ 1,042,534</b>	<b>\$ 478,848</b>	<b>\$ 161,473</b>	<b>\$ -</b>	<b>\$ 230,357</b>	<b>\$ 491</b>	<b>\$ 44</b>	<b>\$ 3,055,102</b>

During the year ended December 31, 2017, management's annual review of its reserves and mineral resources indicated that KM248 was fully depleted as of September 30, 2017, which resulted in accelerated depletion to bring the carrying amount of KM248 included in pit development costs to \$nil.

During the nine months ended September 30, 2018, the Corporation recorded an \$80,168 impairment on two projects previously included in pit development costs (year ended December 31, 2017: \$nil). Management re-evaluated the future economic potential of certain areas within these projects. As a result, the applications to lease certain areas of the project were cancelled or allowed to expire and the impairment is recognized in other operating expenses.

## Note 8 – Resource Properties – continued

### Environmental Rehabilitation Obligation (ERO) Asset

The following summarizes what comprises the environmental rehabilitation obligation asset:

	As at	
	September 30, 2018	December 31, 2017
Opening Balance, Environmental Rehabilitation Obligation Asset	\$ 1,089,709	\$ 1,188,883
Change in estimate recognized in ERO asset	484,649	6,026
Amortization of environmental rehabilitation obligation asset	(11,126)	(62,675)
Change in discount rate affecting ERO asset	(18,421)	(42,525)
<b>Closing Balance, Environmental Rehabilitation Obligation Asset</b>	<b>\$ 1,544,811</b>	<b>\$ 1,089,709</b>

The environmental rehabilitation obligation assets pertain to resource properties where the Corporation has the legal and constructive obligation to complete decommissioning, reclamation and restoration costs on the property as discussed in Note 12.

### Note 9 – Susan Lake Management Contract

The intangible asset related to the Susan Lake management contract was amortized on a straight-line basis over the life of the contract, with an expiry date of November 30, 2017. The Corporation had a meeting with Alberta Environment and Parks (“AEP”), by whom the Contract is administered, on December 1, 2017, which resulted in instruction to the Corporation to continue its operations in the near term with ‘overholding tenancy’ status until the Closure Plan for Susan Lake gravel pit is approved by AEP. The amortization expense related to the Susan Lake management contract for the three and nine months ended September 30, 2018 was \$nil (three and nine months ended September 30, 2017: \$210,101 and \$630,303 respectively).

## Note 10 – Credit Facility

As of July 4, 2018, the Corporation has a credit facility with Canadian Western Bank which includes a letter of credit facility at a rate of 1.50% in the amounts of \$603,000, \$180,000, and \$500,000 in favour of the Government of Alberta and a credit card facility in the amount of \$20,000 which have been fully advanced as of September 30, 2018. Prior to June 30, 2018, the Corporation had a credit facility with HSBC Bank Canada which included a letter of guarantee facility at a rate of 3.50%, a credit card facility, and two leasing equipment facilities as of September 30, 2017.

The Corporation is not subject to any covenants as part of the current credit facility. As part of the credit facility in effect as of September 30, 2017, the Corporation was subject to three financial covenants. The funded debt to EBITDA (earnings before interest, taxes, stock-based compensation, depreciation and amortization and other one-time non-cash expenditures) ratio must be less than 2.75 to 1 for all reporting periods up to September 30, 2017. The debt service coverage ratio must be more than 1.25 to 1 for all reporting periods up to September 30, 2017. The Corporation must maintain a current ratio for all reporting periods up to September 30, 2017 in excess of 1.25 to 1.

As at September 30, 2017, the Corporation was not in compliance with certain financial covenants on their credit facility with HSBC Bank Canada, namely the funded debt to EBITDA ratio and the debt service coverage ratio. HSBC Bank Canada has granted the Corporation a forbearance for the three and nine months ended September 30, 2017 on the funded debt to EBITDA ratio and the debt service coverage ratio covenants. On May 3, 2018, the Corporation repaid the HSBC Bank Canada leases in full.

Under the current credit facility agreement the Corporation is not subject to any capital spending requirements. As part of the credit facility in effect as of September 30, 2017, the Corporation was subject to capital requirements by HSBC Bank Canada such that capital expenditures in any one year in excess of \$3,000,000 annually are restricted without prior written consent.

### Letter of Guarantee Facility

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

	As at	
	September 30, 2018	December 31, 2017
Susan Lake Pit	\$ 603,000	\$ 603,000
Poplar Creek Site, storage yard	180,000	248,760
Poplar Creek pit	500,000	500,000
	<u>\$ 1,283,000</u>	<u>\$ 1,351,760</u>

The Corporation has secured its letters of credit to the benefit of the Government of Alberta for decommissioning and restoration with guaranteed investment certificates to the benefit of Canadian Western Bank. Effective August 1, 2017, the Corporation secured its letters of credit with cash on deposit (Note 6).

### Credit Card Facility

The Corporation has access to a corporate credit card facility, up to a maximum of \$20,000 (December 31, 2017: \$50,000). Effective January 4, 2018, the Corporation has secured its corporate credit card facility with cash on deposit.

## Note 10 – Credit Facility - continued

Security under the current Canadian Western Bank facility is as follows:

- general security agreement providing a first security interest in all present and after acquired property to be registered in all appropriate jurisdictions with specific registrations against guaranteed investment certificate instruments pledged as collateral.

As of September 30, 2017, the HSBC Bank Canada facility was 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; and
- security agreement over cash, credit balances and deposit instruments.

As of September 30, 2018, all HSBC Bank Canada credit facilities for the Corporation have been repaid and cancelled.

## Note 11 – Lease Obligations

	Interest Rate	Monthly Instalments	As at	
			September 30, 2018	December 31, 2017
<b>Finance Leases</b>				
HSBC Lease #4, due September 21, 2018	4.614%	\$ 7,452	\$ -	\$ 65,890
HSBC Lease #5, due October 12, 2018	4.593%	7,481	-	73,353
Cat Financial Lease #2, due May 31, 2019	3.680%	3,450	23,856	53,785
Cat Financial Lease #3, due May 31, 2019	3.680%	3,927	27,155	61,223
Komatsu Financial Lease #1, due May 8, 2019	3.490%	13,935	-	230,811
			51,011	485,062
Current portion - principal due within one year			(51,011)	(224,967)
Current portion - held for sale asset			-	(230,811)
			\$ -	\$ 29,284

Future minimum lease payments for the subsequent year is as follows:

October 1, 2018 to September 30, 2019	\$ 51,639
Less: interest included in payments above	628
Lease principal outstanding, September 30, 2018	\$ 51,011

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

The leases that were entered into during the year ended December 31, 2015 with CAT Financial 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 three and nine months ended September 30, 2018 was \$602 and \$8,062 (three and nine months ended September 30, 2017: \$7,472 and \$33,115 respectively).

## Note 11 – Lease Obligations - continued

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

October 1, 2018 to September 30, 2019	\$	112,073
October 1, 2019 to September 30, 2020	\$	15,500

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Changes in debt obligations arising from financing activities:</b>				
Lease principal outstanding, June 30, 2018 and 2017 and December 31, 2017 and 2016	\$ 72,540	\$ 856,584	\$ 485,062	\$ 1,579,709
Addition of lease obligation	-	-	-	44,033
<b>Total new financing obtained</b>	-	-	-	44,033
Repayment of lease obligations	(21,529)	(257,698)	(434,051)	(1,024,856)
<b>Total principal repayments</b>	(21,529)	(257,698)	(434,051)	(1,024,856)
Interest payments on lease obligations	(602)	(7,472)	(8,062)	(33,115)
<b>Total interest payments</b>	(602)	(7,472)	(8,062)	(33,115)
Interest expense on lease obligations	602	7,472	8,062	33,115
<b>Total interest expense</b>	602	7,472	8,062	33,115
Lease principal outstanding, end of period	\$ 51,011	\$ 598,886	\$ 51,011	\$ 598,886
Current portion of lease obligations	51,011	430,186	51,011	430,186
Lease obligations	-	168,700	-	168,700
	\$ 51,011	\$ 598,886	\$ 51,011	\$ 598,886

## Note 12 – Environmental Rehabilitation and Decommissioning Obligations (“ERO”)

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

	As at	
	September 30, 2018	December 31, 2017
Opening balance, ERO	\$ 1,962,529	\$ 2,061,309
Change in estimate recognized in ERO asset	484,649	6,026
Change in estimate recognized in other operating income	1,597,707	(22,217)
Change in discount rate	(18,421)	(42,525)
Change in discount rate recognized in other operating income	(8,218)	1,028
Accretion expense	24,288	20,551
Environmental rehabilitation obligation payments	(76,828)	(57,202)
Amortization allocated to ERO spending	(58,215)	(4,441)
Ending balance, ERO	3,907,491	1,962,529
Less: Current portion, obligations to be funded within one year	(1,603,973)	(178,001)
	\$ 2,303,518	\$ 1,784,528

Provisions for environment rehabilitation obligations were recognized for mining activities at the Corporate owned pits. The Corporation assesses its provision for environmental rehabilitation obligations on an annual basis or when new material information becomes available. The estimated undiscounted ERO as at September 30, 2018 was \$4,209,596 (December 31, 2017: \$2,168,200).

## Note 12 – Environmental Rehabilitation and Decommissioning Obligations (“ERO”) - continued

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 2.16% to 2.36% as at September 30, 2018 (December 31, 2017: 1.63% to 2.01%) depending on the expected timing of reclamation activities. It is expected that reclamation activities for the Corporate owned pits will occur between 2018 and 2025 considering the projected production schedules, the timing of reclamation activities included in the Conservation and Reclamation Business Plan, as well as the timing of expiration of the related surface materials lease for each property.

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

Reclamation funded during the three and nine months ended September 30, 2018 was \$135,043, including amortization (year ended December 31, 2017: \$61,643) and related to work performed at Susan Lake and House River (December 31, 2017: Susan Lake).

The Corporation has paid cash security deposits of \$612,402 as at September 30, 2018 (December 31, 2017: \$632,908) to the Government of Alberta on behalf of the Corporation for ERO provisions on the aggregate pits, and an additional \$133,330 (December 31, 2017: \$133,330) 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 included in the long-term deposits disclosed in Note 5.

The Corporation has completed successive revisions to the Susan Lake Closure Plan over the past year and continues to await final approval from Alberta Environment & Parks (“AEP”). Closure and reclamation activities have been underway throughout 2018, with certain provisions allowed by AEP for concurrent operations to recover residual aggregates to assist in meeting Ft. McMurray regional demand. The Corporation has generated a sufficiently reliable estimate of the costs it expects to incur as performance of the Susan Lake closure program continues. An environmental rehabilitation obligation of \$1,417,980 has been added as of September 30, 2018.

## Note 13 – Share Capital

	As at	
	September 30, 2018	December 31, 2017
<b>Authorized:</b>		
An unlimited number of:		
Common voting shares with no par value		
Preferred shares, issuable in series		
<b>Issued and outstanding</b>		
33,303,650 Common voting shares with no par value, (2017: 33,303,650 shares )	\$ 13,246,758	\$ 13,246,758

### Stock options

The Corporation has issued options to Directors, Officers, employees and consultants of the Corporation as incentives.

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

	Nine months ended September 30, 2018		Year ended December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<b>Options outstanding, beginning of period:</b>	1,270,000	\$ 0.45	1,270,000	\$ 1.32
Issued	1,095,000	0.19	1,210,000	0.21
Expired or cancelled	(145,000)	0.34	(1,210,000)	1.11
<b>Options outstanding, end of period:</b>	<b>2,220,000</b>	<b>\$ 0.33</b>	<b>1,270,000</b>	<b>\$ 0.45</b>

Of the 2,220,000 (December 31, 2017: 1,270,000) outstanding stock options, 945,000 (December 31, 2017: 460,000) options have vested and therefore, were exercisable at September 30, 2018 at a weighted average exercise price of \$0.52 per share (December 31, 2017: \$0.89 per share).

The weighted average remaining contractual life of the options is 3.86 years (December 31, 2017: 3.86 years).

No options were exercised during the three and nine months ended September 30, 2018 (December 31, 2017: nil).

During the three and nine months ended September 30, 2018, 145,000 options expired or were cancelled respectively (December 31, 2017: 1,210,000 expired and cancelled).

During the three and nine months ended September 30, 2018, 1,095,000 options were granted to Directors, Officer and employees of the Corporation (December 31, 2017: 1,210,000).

The Corporation's stock option plan provides that the Board of Directors may from time to time, in its discretion, grant to Directors, Officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase common shares.

The stock option plan provides for a floating maximum limit of 10% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange. Options may be exercisable for up to ten years from the date of grant, but the Board of Directors has the discretion to grant options that are exercisable for a shorter period. The outstanding stock option grants were issued with an exercisable period of five years from the date of grant. Options under the stock option plan are not transferable or assignable.

Pursuant to the stock option plan, options must be exercised within thirty days following termination of employment or cessation of the optionee's position with the Corporation, or such other period established by the Board of Directors, provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death or disability, the option may be exercised within one year, subject to the expiry date.

## Note 13 – Share Capital – continued

The Corporation's outstanding stock options are as follows:

Expiry Date	Exercise Price	As at	
		September 30, 2018	December 31, 2017
September 6, 2018	\$ 1.02	-	25,000
June 26, 2019	2.90	100,000	100,000
December 14, 2020	0.30	245,000	245,000
January 13, 2022	0.24	270,000	270,000
July 7, 2022	0.18	430,000	430,000
November 23, 2022	0.22	130,000	200,000
April 30, 2023	0.17	220,000	-
June 4, 2023	0.17	665,000	-
September 13, 2023	0.30	160,000	-
		<b>2,220,000</b>	<b>1,270,000</b>

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

Grant Date	# of Options	Exercise Price	Dividend Yield	Expected Volatility	Risk free rate of return	Expected life	Weighted Average Fair Value	Forfeiture rate
September 13, 2018	160,000	\$ 0.30	Nil	74.3%	2.24%	5 years	\$ 0.18	16.6%
June 4, 2018	665,000	\$ 0.17	Nil	74.4%	2.10%	5 years	\$ 0.10	16.3%
April 30, 2018	270,000	\$ 0.17	Nil	72.9%	2.10%	5 years	\$ 0.10	16.5%
November 23, 2017	200,000	\$ 0.22	Nil	73.4%	1.61%	5 years	\$ 0.13	16.8%
July 7, 2017	530,000	\$ 0.18	Nil	74.1%	1.46%	5 years	\$ 0.11	15.3%
January 13, 2017	480,000	\$ 0.24	Nil	74.3%	1.13%	5 years	\$ 0.14	15.3%

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

Share-based compensation expense in the statement of loss and comprehensive loss for the nine months ended September 30, 2018 includes \$16,422 to Directors, \$35,994 to Officers, and \$20,148 to employees (nine months ended September 30, 2017: \$29,063 to Directors, \$23,815 to Officers, and \$6,400 to employees).



## Note 13 – Share Capital – continued

### Net Loss Per Common Share

The treasury stock method is used to calculate loss per share, and under this method options that are anti-dilutive are excluded from the calculation of diluted loss per share. For the three and nine months ended September 30, 2018 and September 30, 2017, all outstanding options were considered anti-dilutive because the Corporation recorded a loss over those periods.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Basic loss per share</b>				
Total loss and comprehensive loss	\$ (782,148)	\$ (431,203)	\$ (1,577,257)	\$ (1,958,309)
Weighted average number of common shares outstanding	33,303,650	33,303,650	33,303,650	33,303,650
<b>Total loss and comprehensive loss per common share, basic</b>	\$ (0.023)	\$ (0.013)	\$ (0.047)	\$ (0.059)
<b>Diluted loss per share</b>				
Total loss and comprehensive loss	\$ (782,148)	\$ (431,203)	\$ (1,577,257)	\$ (1,958,309)
Weighted average number of common shares outstanding	33,303,650	33,303,650	33,303,650	33,303,650
Effect of dilutive stock	-	-	-	-
Weighted average number of common shares outstanding assuming dilution	33,303,650	33,303,650	33,303,650	33,303,650
<b>Total loss and comprehensive loss per common share, diluted</b>	\$ (0.023)	\$ (0.013)	\$ (0.047)	\$ (0.059)

## Note 14 – Related Party Transactions

The Corporation's related parties include four Directors, the Chief Executive Officer, Interim Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer, and a janitorial service provider who is a family member of a former Officer of the Corporation.

The remuneration earned by the Directors was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
<b>Directors:</b>				
Directors fees	\$ 37,500	\$ 23,875	\$ 117,667	\$ 129,438
Travel and miscellaneous expenses	473	-	1,395	1,766
Share-based compensation	9,292	2,972	16,422	29,063
	\$ 47,265	\$ 26,847	\$ 135,484	\$ 160,267
<b>Accounts Payable - related parties</b>				
Director fees	\$ -	\$ 1,184	\$ -	\$ 1,184
Officers expenses	2,465	621	2,465	621
	\$ 2,465	\$ 1,805	\$ 2,465	\$ 1,805

Amounts due to related parties for Director fees and expenses as at September 30, 2018 was \$nil (September 30, 2017: \$1,184). The Director's fees are paid on a quarterly basis. The unpaid amounts due to Directors are unsecured and bear no interest.

Equipment repairs and hauling services were paid to two Companies which are owned and managed by a Director of the Corporation and members of the Director's immediate family during the three and nine months ended September 30, 2018 of \$nil and \$161,200 respectively (three and nine months ended September 30, 2017: \$nil and \$nil). The balance owing with respect to these services at September 30, 2018 was \$nil (September 30, 2017: \$nil).

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 15 – Compensation of Key Management

The remuneration paid to named Officers were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries and other benefits including severance	\$ 101,544	\$ 224,087	\$ 304,230	\$ 399,064
Share-based compensation	14,430	11,304	35,994	23,815
	\$ 115,974	\$ 235,391	\$ 340,224	\$ 422,879

Janitorial services of \$nil were paid to a family member of a former Officer of the Corporation during the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017: \$nil and \$3,400 respectively). The balance owing with respect to these services at September 30, 2018 was \$nil (September 30, 2017: \$nil).

## Note 16 – Financial Instruments

### Classification

The Corporation's financial instruments consist of cash, accounts receivable, long-term deposits, restricted cash, accounts payable and accrued liabilities which are classified as follows:

Financial statement item	Classification
Cash	Amortized cost
Accounts receivable	Amortized cost
Long-term deposits	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

### Fair Value

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

### Credit Risk

Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash, restricted cash, accounts receivable, and long-term deposits. The Corporation's maximum credit risk at September 30, 2018 is the carrying value of these financial assets.

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

On an ongoing basis, the Corporation monitors the financial condition of its customers with all information available. The Corporation reviews the credit worthiness of all new customers and sets credit limits accordingly in order to minimize the Corporation's exposure to credit losses. The Corporation requires any customers deemed to be high-risk to prepay for aggregate prior to taking delivery.

## Note 16 – Financial Instruments - continued

Under the lifetime expected credit loss approach, credit losses are measured using a present value and probability-weighted model that considers all reasonable and supportable information available without undue cost or effort along with the information available concerning past defaults, current conditions and forecasts at the reporting date. The Corporation estimates an increased loss rate for new customers as opposed to customers that the Corporation has previous experience with, as the Corporation has experienced defaults more commonly with new customers as opposed to previous customers. New customers are customers that the Corporation has not completed projects with previously.

The calculation of the lifetime expected credit loss is as follows:

	Days outstanding	Estimated loss rate	Accounts receivable - gross	Lifetime expected credit loss	Accounts receivable - net
New customers	Current (0-60)	1.60%	\$ 779,540	\$ (12,498)	\$ 767,042
	60-90	0.00%	-	-	-
	90+	13.90%	2,100	(292)	1,808
			<u>\$ 781,640</u>	<u>\$ (12,790)</u>	<u>\$ 768,850</u>
Previous customers	Current (0-60)	0.05%	\$ 1,180,609	\$ (623)	\$ 1,179,986
	60-90	0.15%	96,815	(148)	96,667
	90+	0.31%	113,530	(347)	113,183
			<u>\$ 1,390,954</u>	<u>\$ (1,118)</u>	<u>\$ 1,389,836</u>
			<u>\$ 2,172,594</u>	<u>\$ (13,908)</u>	<u>\$ 2,158,686</u>

The following table summarizes the changes in the estimated lifetime expected credit loss included in accounts receivable:

	As at September 30, 2018
Balance, as at January 1, 2018	\$ 3,054
Adjustment to lifetime expected credit loss estimate	10,854
Balance, as at September 30, 2018	<u>\$ 13,908</u>

The accounts receivable aging is as follows:

	Current	60-90 days	> 90 days	Total
As at September 30, 2018	\$ 1,947,028	\$ 96,667	\$ 114,991	\$ 2,158,686
As at December 31, 2017	\$ 1,178,096	\$ 206,361	\$ 8,242	\$ 1,392,699

Five customers each individually owing greater than 10% of the accounts receivable total balance accounted for 91% for the Corporation's accounts receivable as at September 30, 2018 (December 31, 2017: five customers accounted for 71%).

## Note 16 – Financial Instruments - continued

### Liquidity Risk

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

As at September 30, 2018, 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's financial liabilities include accounts payable and accrued liabilities and lease obligations, including interest.

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

	As at September 30, 2018		
	0 - 1 year	2 - 3 years	Total
Accounts payable and accrued liabilities	\$ 841,484	\$ -	\$ 841,484
Lease obligations, including interest	51,639	-	51,639
Total	<b>\$ 893,123</b>	<b>\$ -</b>	<b>\$ 893,123</b>

	As at December 31, 2017		
	0 - 1 year	2 - 3 years	Total
Accounts payable and accrued liabilities	\$ 510,669	\$ -	\$ 510,669
Lease obligations, including interest	467,491	29,509	497,000
Total	<b>\$ 978,160</b>	<b>\$ 29,509</b>	<b>\$ 1,007,669</b>

## Note 17 – Capital Disclosures

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

	As at	
	September 30, 2018	December 31, 2017
<b>Total equity attributable to shareholders</b>	\$ 14,191,747	\$ 15,698,669
<b>Total borrowings</b>		
Current portion of lease obligations	51,011	224,967
Lease obligations on equipment held for sale	-	230,811
Lease obligations	-	29,284
<b>Cash</b>	(5,702,538)	(2,629,371)
<b>Total managed capital</b>	\$ 8,540,220	\$ 13,554,360

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.

There were no changes to the Corporation's capital management during the three and nine months ended September 30, 2018.

## Note 18 – Supplemental Statement of Loss and Comprehensive Loss Disclosures

Finance costs are comprised of the following:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
<b>Finance Costs</b>					
Interest on lease obligations	11	(602)	(7,472)	(8,062)	(33,115)
		\$ (602)	\$ (7,472)	\$ (8,062)	\$ (33,115)

Other operating expenses are comprised of the following:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
<b>Other Operating Expenses</b>					
Write down of resource properties security deposits	5	(1,936)	-	(10,936)	(20,043)
Impairment of property and equipment	7	(100,545)	(461,921)	(127,714)	(461,921)
Write down of resource properties	8	-	(370)	(124,717)	(153,719)
Change in environmental rehabilitation obligation	12	(1,550,667)	45,063	(1,597,707)	23,643
Change in discount rate recognized in other operating income	12	5,174	-	8,218	-
Amortization of environmental rehabilitation obligation asset	8	(5,488)	(50,118)	(11,126)	(59,566)
Amortization of resource property lease costs		(2,778)	(2,778)	(8,337)	(8,337)
Accretion of environmental rehabilitation obligation	12	(8,096)	(5,163)	(24,288)	(15,439)
Other expenses		-	-	-	(1,554)
		\$ (1,664,336)	\$ (475,287)	\$ (1,896,607)	\$ (696,936)

Other non-operating income is comprised of the following:

	Note	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
<b>Other Non-Operating Income</b>					
Gain on disposal of property and equipment		5,729	(378)	212,604	(378)
Camp rental		79,518	171,516	255,555	400,977
Rental income		9,125	-	13,411	-
Amortization of deferred gain on sale and leaseback		-	-	-	3,255
Other income		-	-	-	8,224
		\$ 94,372	\$ 171,138	\$ 481,570	\$ 412,078

During the three and nine months ended September 30, 2018, the Corporation rented the work camp at Poplar Creek for \$79,518 and \$255,555 (three and nine months ended September 30, 2017: \$171,516 and \$400,977) respectively in rental income.

During the three months ended September 30, 2018, 90% of aggregate sales were sold to four customers (three months ended September 30, 2017: 65% to three customers). During the nine months ended September 30, 2018, 85% of aggregate sales were sold to four customers (nine months ended September 30, 2017: 67% to three customers). Individually, these customers represented more than 10% of the Corporation's revenue.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Employee benefit expenses	\$ 665,657	\$ 738,696	\$ 1,690,530	\$ 1,763,750

Employee benefit expenses include wages, salaries, 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 operating costs and general and administrative expenses in the Statement of Loss and Comprehensive Loss.

The following table shows the total severance expenses for the three and nine months ended September 30, 2018, which are not included in the employee benefit expenses table above:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Severance	\$ -	\$ 245,500	\$ -	\$ 257,729

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## Note 19 – Contingency

### **Syncrude Counterclaim**

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

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