Athabasca MINERALS INC.

Athabasca MINERALS INC.

YEARS ENDED DECEMBER 31, 2022 and 2021

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Management’s Responsibility for Financial Reporting Report

The accompanying consolidated financial statements of Athabasca Minerals Inc. are the responsibility of management and have been approved by the Board of Directors on recommendation by the Audit Committee.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Where alternative accounting methods exist, management has chosen those which it deems most appropriate under the circumstances. Financial statements are not precise since they include amounts based on estimates and judgments. Management has determined such amounts to the best of its ability in a manner it deemed reasonable in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has prepared financial information presented elsewhere in the accompanying management discussion and analysis and has ensured that it is consistent with that in the consolidated financial statements. In support of its responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out this responsibility through its Audit Committee.

The Audit Committee is comprised of financially literate directors, appointed by the Board of Directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls over financial reporting processes, auditing matters and financial reporting issues to satisfy itself, that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditor’s report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

These consolidated financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Grant Thornton LLP has full and free access to the Audit Committee.

(signed) “*Dana Archibald*”

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Dana Archibald
Chief Executive Officer

(signed) “*David Churchill*”

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David Churchill
Chief Financial Officer

May 18, 2023
Edmonton, Alberta

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
Suite 1600
333 Seymour Street
Vancouver, BC
V6B 0A4

T +1 604 687 2711
F +1 604 685 6569

To the Shareholders of Athabasca Minerals Inc.

Opinion

We have audited the consolidated financial statements of Athabasca Minerals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021 and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 of the consolidated financial statements which indicates the Company realized net income of $11,701,554, including a $24,057,403 gain on acquisition during the year ended December 31, 2022 and incurred net cash used in operating activities of $2,265,653. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matters to be communicated in our auditor's report.

Acquisition of Wisconsin assets

Refer to Note 4 of the consolidated financial statements.

On February 1, 2022, the Company, through its 50%/50% joint operation took control of assets purchased from a privately owned company based in Wisconsin, United States. The Company acquired assets and liabilities in exchange for consideration of $1,000,000 USD. The acquisition has been accounted for as a business combination.

The acquisition of the Wisconsin assets was determined to be a key audit matter given the significance of the transaction to the consolidated financial statements, the complexity of the accounting for the transaction, and the high estimation uncertainty related to the estimation of the fair value of the net assets acquired which resulted in a bargain purchase gain of $24,057,403 being recognized in the consolidated statement of income and comprehensive income.

Our audit procedures included but were not limited to:

- A review of the asset exchange agreement to identify and assess relevant terms and conditions;
- An assessment of the qualifications and objectivity of the third-party valuation expert utilized by the Company to estimate the fair value of the net assets acquired in the business combination;
- Engagement of our internal valuation and capital asset solution teams to assess the reasonableness of key inputs and assumptions used by management in estimating the fair value of the net assets acquired including:
    - applicable discount rates applied to management's forecasted cash flows;
    - management's forecasted revenues and costs; and
    - appraisal values of hard assets acquired using the replacement cost new less depreciation and market approaches
- An assessment of the transaction for appropriate accounting under provisions of IFRS including management's assessment of the transaction as a business combination.
- An assessment of management's estimate of expected future costs related to the environmental obligation liability assumed as part of the acquisition including:
    - review of support for underlying costs compared to expected costs; and
    - review of key rates including discount rate and inflation rate.

Information other than the consolidated financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Riecken.

Grant Thornton LLP

Vancouver, Canada
May 18, 2023

Chartered Professional Accountants

Consolidated Statements of Financial Position

	Notes	As at December 31, 2022	December 31, 2021
ASSETS			
Current			
Cash		$ 800,265	$ 2,517,433
Trade and other receivables	5, 22	5,102,611	1,291,644
Income taxes recoverable - Canada	18	-	74,337
Inventory	6	3,988,746	846,599
Prepaid expenses and deposits		664,279	52,991
Current Assets		10,555,901	4,783,004
Long-term deposits	7	788,876	769,078
Restricted cash	8	120,148	120,000
Contract costs	9	1,402,130	2,420,470
Property, plant and equipment	4, 10	38,406,067	593,911
Right-of-use assets	4, 13	10,032,288	87,440
Intangible assets	12	23,468	36,201
Resource properties	11	8,050,201	12,126,762
Total Assets		$ 69,379,079	$ 20,936,866
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	22	$ 9,687,653	$ 1,765,131
Income taxes payable - Canada	18	93,365	-
Income taxes payable - USA	18	496,685	64,408
Current portion of bank and other loans	14	872,834	755,051
Current portion of lease obligations	16	1,551,983	73,618
Current portion of environmental rehabilitation obligations	17	609,480	133,295
Current Liabilities		13,312,001	2,791,503
Bank and other loans	14	1,613,578	300,000
Lease obligations	16	8,731,768	4,899
Deposit liabilities		49,376	26,770
Shareholders' loans	15	2,238,600	-
Deferred tax liability	4, 18	8,278,943	-
Environmental rehabilitation obligations	17	5,774,492	2,662,417
Total Liabilities		39,998,759	5,785,589
Shareholders' Equity			
Share capital	19	23,509,890	22,971,793
Contributed surplus		5,493,352	5,324,170
Retained earnings (deficit)		(977,340)	(13,144,686)
Accumulated other comprehensive income		1,354,417	-
Total Shareholders' Equity		29,380,319	15,151,277
Total Liabilities and Shareholders' Equity		$ 69,379,079	$ 20,936,866

Note (1) Nature of Business and Going Concern and Note (27) Subsequent Events

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

Approved by the Board of Directors

" Don Paulencu "	"Dale Nolan"
Director	Director

Athabasca MINERALS INC.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

	Notes	Twelve months ended December 31, 2022 2022	2021
Product sales revenue	25	$ 25,571,323	$ 3,035,742
Services revenue	25	9,008,409	9,093,507
Gross revenue, including royalties		34,579,732	12,129,249
Less: provincial royalties		(354,359)	(337,638)
Revenue, net of royalties		34,225,373	11,791,611
Operating costs		(30,772,222)	(10,297,769)
Depreciation, depletion, and amortization expense		(3,428,108)	(389,064)
Cost of sales		(34,200,330)	(10,686,833)
Gross profit (loss)		25,044	1,104,778
General and administrative expenses		(5,353,404)	(2,934,205)
Severance expense	21	(685,269)	-
Share-based compensation	19	(221,749)	(247,952)
Write-down of inventory,contract costs and resource properties	6,9,11	(5,620,780)	-
Other operating expenses	24	(82,898)	(274,320)
Operating loss		(11,939,057)	(2,351,699)
Finance costs	24	(770,583)	(44,313)
Gain on acquisition of Wisconsin assets	4	24,057,403	-
Other non-operating income	24	350,640	206,438
Interest income		3,151	13,295
Income (loss) before income taxes		11,701,554	(2,176,279)
Current tax expense		(538,773)	
Deferred tax recovery		1,004,565	(10,809)
Net income (loss)		12,167,346	(2,187,088)
Other comprehensive income (loss)			
Foreign exchange differences from translating foreign operations	24	1,354,417	-
Total comprehensive income (loss)		$ 13,521,763	$ (2,187,088)
Net income (loss) per common share - basic	19	$ 0.156	$ (0.032)
Net income (loss) per common share - diluted	19	$ 0.152	$ (0.032)
Weighted average number of shares outstanding	19	77,989,187	67,947,084

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

Consolidated Statements of Changes in Shareholders' Equity

	Notes	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance as at January 1, 2021		**59,110,153**	**$ 18,955,877**	**$ 5,186,552**	**$ -**	**$ (10,957,598)**	**$ 13,184,831**
Shares issued	**19**	**17,596,935**	$ 3,944,313	$ -	$ -	$ -	$ 3,944,313
Share-based compensation	**19**	-	-	169,085	-	-	169,085
Stock options exercised	**19**	257,000	82,748	(31,467)	-	-	51,281
Share issuance costs, net of tax of $nil	**19**	-	(11,145)	-	-	-	(11,145)
Total loss and comprehensive loss for the period		-	-	-	-	(2,187,088)	(2,187,088)
Balance as at December 31, 2021		**76,964,088**	**$ 22,971,793**	**$ 5,324,170**	**$ -**	**$ (13,144,686)**	**$ 15,151,277**
Shares issued	**19**	258,898	107,990	-	-	-	$ 107,990
Share-based compensation - options		-	-	336,745	-	-	336,745
Stock options exercised		1,359,700	430,107	(167,563)	-	-	262,544
Total income (loss) and comprehensive income (loss) for the period		-	-	-	1,354,417	12,167,346	13,521,763
Balance as at December 31, 2022		**78,582,686**	**$ 23,509,890**	**$ 5,493,352**	**$ 1,354,417**	**$ (977,340)**	**$ 29,380,319**

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

Consolidated Statements of Cash Flows

	Notes	Year ended December 31, 2022	2021
OPERATING ACTIVITIES			
Net income (loss)		$ 12,167,346	$ (2,187,088)
Adjustments for non-cash items			
Depreciation, depletion, and amortization expense		3,428,108	389,064
Amortization of resource property lease costs	24	-	11,118
Amortization of environmental rehabilitation obligations asset	11,24	39,478	120,645
Amortization of contract costs	9,24	-	13,830
Change in estimate for environmental rehabilitation obligations	17	284,264	(599)
Change in discount rate for environmental rehabilitation obligations	17	(677,148)	54,815
Accretion of environmental rehabilitation obligations	17	227,707	74,511
Writedown of inventory, contract and resource properties	6,9,11	5,620,780	-
Gain on acquisition of Wisconsin Assets	4	(24,057,403)	-
Share-based compensation	19	221,749	247,952
Expected credit loss on accounts receivable		457,453	-
Interest on shareholder loans		153,700	-
Change in deferred tax liability		(407,419)	-
Shares issued in payment of royalties	19	-	200,001
Shares issued to contractors	19	75,000	-
Changes in non-cash working capital balances			
Trade and other receivables		(4,248,629)	(419,190)
Amounts due from related entities		-	88,876
Prepaid expenses and deposits		(611,288)	4,623
Inventory	4, 6	(3,479,246)	-
Accounts payable and accrued liabilities		8,014,253	296,063
Income taxes payable (recoverable)		525,642	(55,013)
Net cash used in operating activities		**(2,265,653)**	(1,210,392)
INVESTING ACTIVITIES			
Spending on long-term deposits	7	(19,798)	-
Deposit liability		22,606	-
Restricted cash	8	(148)	956,595
Proceeds on sale of property and equipment		-	50,000
Purchase of property and equipment		(14,097)	(31,627)
Acquisiton of Wisconsin Assets	4	(1,396,696)	-
Spending on resource properties	11	(286,964)	(574,599)
Spending on environmental rehabilitation obligations	17	(591,728)	-
Cash acquired in acquisition of associates		-	120,155
Cash consideration paid for interest in associates		-	(1)
Net cash used in investing activities		**(2,286,825)**	520,523
FINANCING ACTIVITIES			
Proceeds from issuance of common shares, private placement	19	32,990	1,744,312
Common share issuance costs		-	(11,145)
Proceeds from bank loans	14	1,782,000	160,000
Proceeds from shareholders' loans	15	2,238,600	-
Repayment of bank loans	14	(780,602)	(531,873)
Interest payment on shareholders' loan	15	(153,700)	-
Repayment of lease obligations	13	(546,522)	(159,644)
Net proceeds from exercise of stock options	15	262,544	51,281
Net cash from (used in) financing activities		**2,835,310**	1,252,931
Impact of foreign currency translation			-
Net change in cash		**(1,717,168)**	563,062
Cash, beginning of period		2,517,433	1,954,371
Cash, end of period		**$ 800,265**	$ 2,517,433

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

Note 1 - Nature of Business and Going Concern

a) General

Athabasca Minerals Inc. (the "Corporation") is a public corporation incorporated under the Business Corporations Act (Alberta) in 2006, and its shares are listed on the TSX Venture Exchange under the symbol AMI-V. The Corporation's head office is located at 4409 94 Street NW, Edmonton, Alberta, Canada T6E 6T7.

The Corporation is an integrated group of companies capable of full life-cycle development and supply of aggregates and industrial sand. The Corporation is comprised of the following business units:

- **AMI Silica** division has resource holdings and business interests in Alberta, North-East BC, and the United States with its 50% interest in AMI Silica LLC.
- **AMI Aggregates** division produces and sells aggregates from its corporate pits and manages the Coffey Lake Public Pit on behalf of the Government of Alberta.
- **AMI RockChain** division is a midstream, technology-enabled business using its proprietary RockChain™ digital platform, automated supply-chain and logistics solutions, quality-assurance & safety programs to deliver products across Canada.
- **Métis North Sand & Gravel** is a strategic partnership with the McKay Métis Group to deliver aggregates to the energy, infrastructure, and construction sectors in the Wood Buffalo region. In December 2022, the Corporation ceased its limited partner position in the partnership but continues to provide services to the partnership under an operating agreement.
- **TerraShift Engineering** conducts resource exploration, regulatory, mining, environmental and reclamation engineering for a growing nation-wide customer base and is also the developer of the proprietary TerraMaps™ software. As of August 24, 2022, the Corporation began to phase out the operations of TerraShift as part of the Corporation's staged plan to create a sustainable and resilient business model. TerraMaps™ and other assets will be maintained to continue to be of benefit to other AMI divisions.

The consolidated financial statements for the year ended December 31, 2022, including comparatives for the year ended December 31, 2021 were approved and authorized for issue by the Board of Directors on May 18, 2023.

b) Going Concern

The basis of presentation below notes the Corporation's consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future. The Corporation's ability to continue as a going concern is dependent upon, but not limited to, its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. During the year ended December 31, 2022, the Corporation had net income of $12,167,346 including a $24,057,403 gain on acquisition (2021 – total loss $2,187,088) and net cash used in operations of $1,336,443 (2021-$1,210,392). These aforementioned conditions have resulted in material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern. The ability of the Corporation to continue as a going concern and to meet its obligations will be dependent upon generating positive cash flows from operations as well as obtaining debt or equity financing. However, there can be no assurance that the steps management is taking will be successful. The accompanying consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could have a material impact on the consolidated financial statements.

Note 2 - Basis of Presentation

a) Statement of Compliance

These consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, except as detailed in the Corporation's accounting policy set out in Note 3.

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, AMI Aggregates Inc., AMI RockChain Inc. ("AMI RockChain"), which was incorporated on March 19, 2018 and AMI Silica Inc. ("AMI Silica"), which was incorporated on May 30, 2018 (collectively the "subsidiaries"). Additionally, on June 30, 2020, AMI RockChain acquired 100% of the shares in TerraShift. On February 5, 2021, the Corporation acquired control of the numbered Alberta corporations that respectively own the Montney In-Basin Project and the Duvernay Project by securing 100% ownership of each company. The Corporation and JMAC Energy Services LLC. jointly control AMI Silica LLC on a 50/50 basis. AMI Silica LLC was formed under the laws of North Dakota effective June 2, 2021.

The assets, liabilities, equity, income, expenses, and cash flows of the Corporation and its wholly owned subsidiaries to the date of these consolidated 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 consolidated financial statements are presented in Canadian dollars which is the functional currency of the Canadian parent and its subsidiaries. The functional currency of AMI Silica LLC. s the US dollar which then is translated to the presentation currency. Effective with the business combination (note 4), the functional currency of AMI Silica LLC changed from the Canadian dollar to the US dollar.

The assets and liabilities of the joint operations are translated into the presentation currency at the closing rate, the income and expenses have been translated into the presentation currency at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognized in the currency translation reserve in equity.

d) Use of Estimates and Judgements

The preparation of consolidated financial statements in conformity with IFRS as issued by the IASB requires management to make estimates and judgments that affect the amount reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant.

Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements are described below.

Note 17 – Environnemental Reclamation Obligations (“ERO”) continued

As a result of the Business combination (Note 4), a provision was made for an environmental rehabilitation obligation relative to the joint operations of the sand mine. The estimated undiscounted ERO as at December 31, 2022 was $ (2021: $nil). Total reclamation funded during the year ended December 31, 2022 was $587,899 (2021: $nil). The discount rates used by the Corporation are an estimate of AMI Silica LLC’s credit adjusted risk free rate at the date of acquisition and then the estimate adjusted for a year end date. The sand mine uses a progressive reclamation process whereas the area is mined and the reclamation occurs as part of the mining activities. The current delineated mine site is estimated to be mineable and reclaimed from 2023 to 2028.

Note 18 – Income Taxes

Deferred income tax at December 31, 2022 relates to the tax effects of temporary differences. They are summarized in the following table:

	As at	
	December 31, 2022	December 31, 2021
Deferred tax assets:		
Cumulative eligible capital	$ **17,983**	$ 19,336
Share issuance costs and finance fees	**5,104**	9,367
Inventory	**405,847**	-
Property, plant and equipment	**29,549**	14,717
Other	**165,808**	45,257
Lease obligations	**2,788,527**	
Environmental rehabilitation obligations	**1,465,028**	563,682
Non-capital loss carryforwards	**329,895**	1,329,868
	5,207,741	1,982,227
Net Deferred tax asset	**(5,207,741)**	(1,982,227)
	-	-
Deferred tax liabilities:		
Resource properties	$ **513,732**	$ 1,425,519
Right of use assets	**2,719,451**	-
Property, plant and equipment	**9,931,011**	-
Contract assets	**322,490**	556,708
Deferred tax liabilities	**13,486,684**	1,982,227
	(5,207,741)	(1,982,227)
Net deferred tax liability	$ **8,278,943**	$ -

Note 18 – Income Taxes – continued

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax.

The differences result from the following:

	Years ended December 31, 2022	2021
Loss before income taxes	$ 11,701,554	$ (2,176,282)
Statutory Canadian combined corporate tax rate	23.0%	23.0%
Expected tax recovery	2,691,357	(500,545)
Decrease in income tax recovery resulting from:		
Non-taxable items	(6,481,918)	116,265
Tax rate changes, and rate differences	905,640	6,948
Deferred tax asset not recognized	2,237,842	381,632
Other	181,287	6,509
	$ (465,792)	$ 10,809
Income tax expense is comprised of:		
Current tax expense	$ 538,773	$ 10,809
Deferred tax recovery	(1,004,565)	-
	$ (465,792)	$ 10,809

Movements in deferred tax assets (liabilities) related to temporary differences are as follows:

	Balance December 31, 2020	Recognized in Profit/ (loss)	**Balance December 31, 2021**	Acquired in a Business Combinaton	Foreign Exchange	Recognized in Profit/ (loss)	**Balance December 31, 2022**
Cumulative eligible capital	20,792	(1,456)	19,336	-		(1,353)	17,983
Share issuance costs and finance fees	8,434	933	9,367	-		(4,263)	5,104
Inventory	(32,806)	32,806	-	-		405,847	405,847
Other	39,036	6,221	45,257	-		120,551	165,808
Lease obligations	-	-	-	887,231	55,639	1,845,657	2,788,527
Environmental rehabilitation obligations	528,904	34,778	563,682	1,146,388	71,891	(316,933)	1,465,028
Non-capital loss carryfrowards	1,310,514	19,354	1,329,868	-	-	(999,973)	329,895
Resouce properties	(1,311,579)	(113,940)	(1,425,519)	-	-	911,787	(513,732)
Right-of-use assets	-	-	-	(887,231)	(55,639)	(1,776,581)	(2,719,451)
Property,plant, and equipment	(3,406)	18,123	14,717	(9,882,070)	(619,717)	585,608	(9,901,462)
Contract assets	(559,889)	3,181	(556,708)	-	-	234,218	(322,490)
Deferred tax asset (liability)	$ -	$ -	$ -	$ (8,735,682)	$ (547,826)	$ 1,004,565	$ (8,278,943)

Note 18 – Income Taxes – continued

Deferred tax assets have not been recognized in respect of the following amounts because it is not probable that there will be enough future taxable profits available against which the deferred tax asset can be applied.

	As at December 31, 2022		As at December 31, 2021	
Deductible temporary differences	$	**1,163,831**	$	379,585
Non-capital loss carryforwards		**17,154,516**		8,271,019
		18,318,347		8,650,604

The Corporation has non-capital tax loss carry forwards of $18,588,843 (2021: $14,053,055) that expire between 2037 and 2042.

Note 19 – Share Capital

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

	Notes	Year ended December 31, 2022 Number of Shares		Year ended December 31, 2022 Amount	Year ended December 31, 2021 Number of Shares		Year ended December 31, 2021 Amount
Authorized:							
An unlimited number of:							
Common voting shares with no par value							
Preferred shares, issuable in series							
Issued and outstanding, beginning of period		**76,964,088**	$	**22,971,793**	59,110,153	$	18,955,877
Shares issued in acquisition of control of related entities		-		-	6,000,000		1,500,000
Shares issued in payment of royalties		-		-	600,003		150,001
Shares issued and held in escrow		-		-	2,200,001		550,000
Issuance of common share units in private placement		**100,000**		**32,990**	7,375,000		1,475,500
Shares issued to contractors/consultants/employees		**158,898**		**75,000**	1,421,931		268,812
Common share issuance costs		-		-	-		(11,145)
Stock options exercised		**1,359,700**		**430,107**	257,000		82,748
Issued and outstanding, end of period		**78,582,686**	$	**23,509,890**	76,964,088	$	22,971,793

On February 5, 2021, the Corporation announced the acquisition of control of the numbered Alberta corporations that respectively own the Montney In-Basin Project and the Prosvita Sand Project (Note 14) by securing 100% ownership of each company (i.e., Privco1 & Privco2). These transactions were combined and concluded for $1 of cash consideration and 8,000,000 common shares at a contract stated value of $0.25 per common share for a total purchase price of $2,000,001. Of the 8,000,000 common shares, 2,000,000 common shares were issued in 2021 and held in escrow. These shares were released on June 30, 2022 to the founding partners.

The Corporation used common shares to make one final Annual Minimum Royalty ("AMR") payment for the numbered Alberta corporation that owns the Montney In-Basin Project, consisting of 800,004 common shares at a contract stated value of $0.25 per share, for a total value of $200,001, to be released from escrow over three corresponding milestone installments of February 5, 2021, June 30, 2021, and June 30, 2022. These shares have been fully released from escrow on June 30, 2022.

Stock options

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

The fair value of the options granted was estimated on the dates of the grant using the Black-Scholes Option Pricing Model.

Note 19 – Share Capital - continued

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 on Grant Date	Forfeiture Rate
September 26, 2022	75,000	$ 0.19	Nil	87.9%	3.47%	5 years	$ 0.13	20.7%
September 26, 2022	25,000	$ 0.24	Nil	87.9%	3.47%	5 years	$ 0.12	20.7%
June 21, 2022	225,000	$ 0.39	Nil	95.9%	3.37%	5 years	$ 0.29	17.5%
May 25, 2022	474,000	$ 0.32	Nil	82.5%	2.58%	5 years	$ 0.21	16.9%
April 26, 2022	725,300	$ 0.35	Nil	93.2%	2.58%	5 years	$ 0.25	17.1%
December 14, 2021	300,000	$ 0.28	Nil	92.9%	1.29%	5 years	$ 0.20	17.9%
November 23, 2021	1,506,000	$ 0.21	Nil	92.7%	1.57%	5 years	$ 0.15	18.1%
April 21, 2021	632,400	$ 0.24	Nil	83.4%	0.94%	5 years	$ 0.16	18.8%

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

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

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year:	**5,822,200**	**$ 0.24**	3,691,800	$ 0.25
Issued	**1,524,300**	**0.34**	2,438,400	0.22
Exercised	**(1,359,700)**	**0.19**	(257,000)	0.20
Expired or cancelled	**(2,265,200)**	**0.28**	(51,000)	0.14
Options outstanding, end of year:	**3,721,600**	**$ 0.28**	5,822,200	$ 0.24

Of the 3,721,600 (2021: 5,822,200) outstanding stock options, 2,705,400 (2021: 3,390,000) options have vested and therefore, were exercisable as at December 31, 2022 at a weighted average exercise price of $0.28 per share (December 31, 2021: $0.24 per share).

During the year ended December 31, 2022, 1,359,700 options were exercised at an average exercise price of $0.19 per share for total proceeds of $262,544. The average share price on the days they were exercised was $0.39 per share. For the year ended December 31, 2021, 257,000 options were exercised at an average exercise price of $0.22 per share with an average share price on the days they were exercised of $0.26 per share.

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 19 – Share Capital - continued

The Corporation's outstanding stock options are as follows:

Expiry Date	Exercise Price	As at December 31, 2022	As at December 31, 2021
January 13, 2022	0.24	-	75,000
June 4, 2023	0.17	**150,000**	300,000
September 13, 2023	0.30	-	100,000
November 23, 2023	0.26	**100,000**	350,000
January 9, 2024	0.28	**140,000**	140,000
May 22, 2024	0.57	**135,000**	270,000
June 24, 2024	0.65	**120,000**	120,000
August 20, 2024	0.64	**30,000**	30,000
December 6, 2024	0.33	**317,000**	470,000
December 19, 2024	0.28	-	15,000
April 16, 2025	0.17	**91,500**	907,000
November 25, 2025	0.14	**254,400**	606,800
April 21, 2026	0.24	**314,400**	632,400
November 23, 2026	0.21	**900,000**	1,506,000
December 14, 2026	0.28	**300,000**	300,000
April 26, 2027	0.35	**400,300**	-
May 25, 2027	0.32	**369,000**	-
June 21, 2027	0.39	-	-
September 26, 2027	0.24	**25,000**	-
September 26, 2027	0.19	**75,000**	-
		3,721,600	5,822,200

The weighted average remaining contractual life of the options outstanding is 3.19 years (2021: 3.53 years).

Restricted Share Unit ("RSUs") and Deferred Share Units ("DSUs")

On April 4, 2019, the Corporation adopted Restricted Share Unit ("RSU") and Deferred Share Unit ("DSU") plans. No RSUs have been granted yet.

	Year ended December 31, 2022				Year ended December 31, 2021			
	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value	Number of DSUs	Weighted Average Fair Value	Number of RSUs	Weighted Average Fair Value
Outstanding, beginning of period:	**1,227,000**	**$ 0.22**	**-**	**$ -**	1,227,000	$ 0.15	-	$ -
Issued	**100,000**	**0.32**	**-**	**-**	-	-	-	-
Expired or cancelled	**(642,000)**	**0.43**	**-**	**-**	-	-	-	-
Outstanding, end of period:	**685,000**	**$ 0.26**	**-**	**$ -**	1,227,000	$ 0.22	-	$ -

During the year ended December 31, 2022, 100,000 DSUs were granted to Directors, Officers, and employees of the Corporation (2021: nil). DSUs vest one-third on the first, second, and third (annual) anniversary of the date of grant based on continued tenure of the participant.

Of the 685,000 (2021: 1,227,000) outstanding DSUs, 547,000 (2021: 737,000) DSUs have vested.

The fair value of the DSU liability of $151,183 (2021: $266,179), which is based on the closing price of the Corporation's shares on the TSX Venture Exchange as of December 31, 2022 and an expected forfeiture rate of 19.04%, is included in accounts payable and accrued liabilities in the consolidated statements of financial position. Any change to the fair value of the liability is included in share-based compensation expense in the consolidated statements of loss and comprehensive loss.

The vested DSUs are redeemable by the participant following resignation, retirement, or death. The fair value of the DSUs redeemed is equal to the market price of the Corporation's shares and are payable in the form of cash, less applicable withholding taxes.

Note 19 – Share Capital - continued

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. The ESP, RSU and DSU plans provides for a defined maximum limit each of 2% of the outstanding common shares, as permitted by the policies of the TSX Venture Exchange.

Share-based compensation expense is comprised of the following:

	Years ended December 31, 2022	2021
Stock options	$ 336,745	$ 169,085
Deferred share units	(114,996)	78,867
Share-based compensation expense	**$ 221,749**	$ 247,952

Share-based compensation expense in the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2022 includes $42,721 to Directors (2021: $20,762), ($12,059) to Officers (2021: $77,149), and $191,087 to Employees or Contractors (2021: $71,174).

Net Income (Loss) and Diluted Income (Loss) Per Common Share

The treasury stock method is used to calculate diluted income (loss) per share, and under this method options that are anti-dilutive are excluded from the calculation of diluted income (loss) per share. The following tables shows the total income and comprehensive income per common share, diluted for the years ended December 31, 2022 and December 31, 2021.

	Years ended December 31, 2022	2021
Basic income (loss) per share		
Net income (loss)	$ 12,167,346	$ (2,187,088)
Weighted average number of common shares outstanding	77,989,187	67,947,084
Total net income (loss) per common share, basic	$ 0.156	$ (0.032)
Diluted income (loss) per share		
Total net income (loss)	$ 12,167,346	$ (2,187,088)
Weighted average number of common shares outstanding	77,989,187	67,947,084
Effect of dilutive stock options	2,154,296	-
Weighted average number of common shares outstanding after dilution	80,143,483	67,947,084
Total net income (loss) per common share, diluted	$ 0.152	$ (0.032)

Note 20 – Related Party Transactions

The Corporation's related parties include three independent Directors, the Chief Executive Officer, the Chief Financial Officer, AMI RockChain Inc., AMI Aggregates Inc., AMI Silica Inc., TerraShift Engineering Ltd., AMI Silica LLC, the numbered Alberta corporation that owns the Montney In-Basin Project, and the numbered Alberta corporation that owns the Prosvita Sand Project.

The remuneration earned by the Directors was as follows:

	Years ended December 31,	
	2022	2021
Directors:		
Directors fees	**$ 152,000**	$ 158,000
Travel and miscellaneous expenses	**1,358**	1,007
Share-based compensation	**42,721**	47,344
	$ 196,079	$ 206,351

The Directors fees are paid on a quarterly basis. 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.

On April 29, 2022, the Corporation entered into shareholder loan agreements for funds totaling $1,985,000. (Note 15)

During the year, AMI provided management services to AMI Silica LLC for $161,303 (2021-$nil). JMAC provided accounting services to AMI Silica LLC for $144,921 (2021-$nil).

During the year JMAC provided factoring services to AMI Silica LLC for working capital purposes. Interest and fees totaling USD $222,812 were paid for these services.

Note 21 – Compensation of Key Management

The remuneration paid to named Officers were as follows:

	Years ended December 31,	
	2022	2021
Salaries and other benefits	**$ 446,709**	$ 581,316
Severance	**685,269**	-
Share-based compensation	**(12,059)**	139,694
	$ 1,119,919	$ 721,010

Severance expense is for two departed executives who left the Corporation in May and June 2022.

Note 22 – Financial Instruments

Classification

The Corporation's financial instruments consist of the following:

Financial statement item	Classification
Cash	Amortized cost
Trade and other receivables	Amortized cost
Long-term deposits	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Shareholder loans	Amortized cost
Bank and other loans	Amortized cost
Deferred share unit liability (included in Accounts payable and accrued liabilities)	Fair value through profit and loss

Fair Value

Due to the short-term nature of cash, trade and other receivables, as well as accounts payable and accrued liabilities, and 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 values of the long-term deposits are not materially different from their carrying value.

The fair value of bank loans approximates their carrying value as they are at market rates of interest.

The deferred share unit liability is the only financial instrument measured at fair value on a recurring basis. The deferred share unit liability is a Level 2 fair value hierarchy measurement. There were no transfers between Level 1, 2, or 3 of the fair value hierarchy for the year ended December 31, 2022 (2021: none).

Credit Risk

Financial instruments that potentially subject the Corporation to credit risk consist primarily of cash, restricted cash, trade and other receivables, and long-term deposits. The Corporation's maximum credit risk at December 31, 2022 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.

The aging summary for trade and other receivables is as follows:

	Current	30-60 days	60-90 days	> 90 days	Total
As at December 31, 2022	$ 4,774,045	$ 46,373	$ 150,364	$ 131,828	$ 5,102,611
As at December 31, 2021	$ 1,159,442	$ -	$ 129,044	$ 3,158	$ 1,291,644

Five customers owing greater than 10% of the accounts receivable total balance accounted for 74% of the Corporation's accounts receivable as at December 31, 2022 (2021: one customer accounted for 80%).

Note 26 – Subsequent Events - continued

JMAC is a related party to Athabasca, as JMAC is controlled by Jon McCreary who is a director of Athabasca, and, as such, the Loan is a "related party transaction" within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**").

The Loan was obtained on reasonable commercial terms that are not less advantageous to Athabasca than if the Loan was obtained from a person dealing at arm's length with Athabasca and Athabasca's board of directors (other than Mr. McCreary) have approved the Loan. The Loan and interest are not convertible, or repayable, directly or indirectly, in equity or voting securities of Athabasca or any of its subsidiaries or otherwise participating in nature.

b). On March 28, 2023, the Corporation announced that its Board of Directors (the "Board"), together with the support of management, has initiated a process to evaluate potential strategic alternatives to maximize shareholder value. As part of the process, the Board is considering a full range of strategic alternatives, which may include financing alternatives, merger, amalgamation, plan of arrangement, reorganization, other business combinations, sale of assets, or other transactions. There can be no assurance that the evaluation of strategic alternatives will result in any strategic alternative, or any assurance as to its outcome or timing.

c). On April 5, 2023, AMI Silica LLC ("AMIS") signed a multi-year transload agreement (the "Transload Agreement") for the delivery of its silica sand into the Grande Prairie, Alberta region. In addition, AMIS signed an eighteen-month Sand Supply Agreement (the "Sand Agreement") with a commitment to provide various product specifications to a leading North American oilfield services firm. The Sand Agreement provides a minimum commitment of 20,000 tons per month of 40/70 frac sand with the option for the customer to purchase additional volumes. The total minimum commitment for the Sand Agreement is 360,000 tons, subject to pricing adjustments. This agreement has a two-year term with the option to extend, by mutual agreement, for up to two additional terms of twelve months.