ATHABASCA URANIUM INC.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED
AUGUST 31, 2011

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the Athabasca Uranium Inc. (the “Company”) financial statements. The information provided herein should be read together with the audited financial statements for the year ended August 31, 2011 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated. The effective date of this report is December 14, 2011.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company’s board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board’s audit committee meets with management on a quarterly basis to review the financial statements and the MD&A and to discuss other financial, operating and internal control matters.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. See “Forward-Looking Statements” on page 13 of the report.

The reader is encouraged to review Company statutory filings on www.sedar.com.

DESCRIPTION OF BUSINESS AND OVERVIEW

Athabasca Uranium Inc. was incorporated under the Business Corporations Act (BC) on June 6, 2007 and was initially classified as a Capital Pool Company as defined in TSX Venture Exchange Policy 2.4. The Company completed a Qualifying Transaction on July 7, 2010 and subsequently changed its name from BOE Capital Corp. to Athabasca Uranium Inc. and its trading symbol on the TSX Venture Exchange from ‘BOC’ to ‘UAX’.

The Company is a uranium exploration and development company exploring an aggregate of over 52,000 hectares (60,800 hectares after the acquisition of the Volhoffer Lake Property subsequent to the year-end) strategically located in the uranium-rich Athabasca Basin region of northeast Saskatchewan. The Company’s stated vision is to explore the region using leading-edge technology to become a world-class uranium mining company.

The Company’s exploration and development projects in the Athabasca Basin region are described below. Additional information is available on the Company’s website at www.athabascauranium.com.

McCarthy Lake Project

As its Qualifying Transaction, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 50% interest in and to the mineral rights underlying the prospective uranium property known as the McCarthy Lake Property located in the Athabasca basin region of northeast Saskatchewan. The Company paid consideration of $300,000 to an arm’s length vendor, consisting of $100,000 cash and 2,000,000 common shares of the Company issued at a value of $200,000. The Company will incur a minimum of $200,000 in exploration expenditures on the McCarthy Lake Property within one year in order to satisfy the final condition to exercise the option (incurred). The McCarthy Lake Property is subject to a 2.5% net smelter return (“NSR”) royalty, 80% of which the Company has the option to purchase from the vendor at any time for $500,000.

On August 26, 2011, by mutual agreement of the parties, the acreage under option at McCarthy Lake was reduced and the McCarthy Lake Option Agreement was amended. Pursuant to such amendment, the Company fulfilled its final obligation in exercising its option to purchase the McCarthy Lake Property and was deemed to have earned a 50% interest in and to the mineral rights underlying the McCarthy Lake Property.

McGregor Lake Project

On October 20, 2010, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the McGregor Lake Property located in the Athabasca basin region of northeast Saskatchewan. The Company paid consideration of $510,000 to an arm's length vendor, consisting of $60,000 cash and 1,500,000 common shares at a fair value of $450,000, fulfilling the initial commitment under the McGregor Lake Property option agreement. Additional commitments in order to exercise the McGregor Lake option include the Company making cash payments totalling $750,000 within 42 months and filing $3,000,000 in qualified exploration expenditures on the McGregor Lake Property within four years. The 1% NSR may be purchased by the Company from the vendor for $1,500,000.

As part of the McGregor Lake Project, on April 7, 2011, the Company entered into a mineral property option agreement to acquire a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the Hodges Lake Property, adjacent to the McGregor Lake Property. The Company paid consideration of $163,000, consisting of $25,000 cash and 600,000 common shares at a fair value of $138,000, fulfilling the initial commitment under the Hodges Lake Property option agreement. Additional commitments in order to exercise the Hodges Lake option include the Company filing $3,500,000 in qualified exploration expenditures within four years on any properties within the McGregor Lake Project area. The 1% NSR may be purchased by the Company from the vendor for $1,500,000.

Keefe Lake Project

On September 14, 2010, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the Webb River Property located in the Athabasca Basin region of northeast Saskatchewan. The Company paid consideration of $507,500 to an arm's length vendor, consisting of $50,000 cash and 1,500,000 common shares at a fair value of $475,500, fulfilling the initial commitment under the Webb River Property option agreement. Additional commitments in order to exercise the Webb River option include the Company making cash payments totalling $600,000 within 42 months and filing $2,500,000 in qualified exploration expenditures on the Webb River Property within four years. The 1% NSR may be purchased from the vendor by the Company for $1,500,000.

As part of the Webb River Project, on May 13, 2011, the Company entered into a mineral property option agreement to acquire a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the Hamilton Lake Property, adjacent to the Webb River Property. The Company paid consideration of $121,000, consisting of $25,000 cash and 600,000 common shares at a fair value of $96,000, fulfilling the initial commitment under the Hamilton Lake Property option agreement. Additional commitments in order to exercise the Hamilton Lake option include the Company filing $3,000,000 in qualified exploration expenditures within four years on any properties within the combined Webb River Project area. The 1% NSR may be purchased by the Company from the vendor for $1,500,000.

On July 27, 2011, the Company entered into an agreement with an arm's-length vendor by which the Company has the option to earn a 100% interest (subject to a 1% NSR) in the Keefe Lake Property, a 12,832-hectare prospective uranium property in the Athabasca Basin region of Saskatchewan. The Company paid consideration of $660,000 to an arm's-length vendor, consisting of $65,000 cash and 3,500,000 common shares at a fair value of $595,000, fulfilling the initial commitment under the Keefe Lake Property option agreement. Additional commitments in order to exercise the Keefe Lake option include the Company making cash payments totalling $1,500,000 on or before the fifth anniversary of the agreement and filing $5,000,000 in qualified exploration expenditures on the Keefe Lake Property within five years. 1% of the NSR may be purchased by the Company for $1,500,000.

Subsequent to the year-end, on September 15, 2011, the Company entered into an agreement with an arm's-length vendor by which the Company has the option to earn a 100% interest (subject to a 2% NSR) in the Volhoffer Lake Property, an 8,530-hectare prospective uranium property comprised of two contiguous claims adjacent to the Keefe Lake and Webb River properties. The Company can earn a 100% interest in the Volhoffer Lake Property by paying an initial $55,000 and issuing 2,500,000 common shares to the Vendor on regulatory approval, by completing $5,000,000 in qualified exploration work on the Volhoffer Lake Property or any adjacent Keefe Lake Project properties within five years, and by making additional cash payments totalling $1,200,000 on or before the fifth anniversary of the agreement. 1% of the NSR may be purchased by the Company for $1,200,000.

For exploration administration and operations purposes, each of the Webb River, Hamilton Lake and subsequent Volhoffer Lake properties were combined with the Keefe Lake Property to become the 32,621-hectare Keefe Lake Project, currently being explored by the Company..

East Key Lake Project

On February 7, 2011, the Company entered into a mineral property option agreement pursuant to which the Company has an option to acquire a 100% interest (subject to a 1% NSR) in the mineral rights underlying the prospective uranium property known as the East Key Lake Property located in the Athabasca basin region of northeast Saskatchewan. The Company paid consideration of $420,000 to an arm's length vendor, consisting of $40,000 cash and 1,000,000 common shares at a fair value of $390,000, fulfilling the initial commitment under the East Key Lake Property option agreement. Additional commitments in order to exercise the East Key Lake option include the Company making cash payments totalling $750,000 within 42 months and filing $3,000,000 in qualified exploration expenditures on the East Key Lake Property within four years. The 1% NSR may be purchased from the vendor by the Company for $1,500,000.

SELECTED ANNUAL INFORMATION

	August 31, 2011	August 31, 2010	August 31, 2009
Revenue	$ Nil	$ Nil	$ Nil
Interest income	29,089	--	405
Net loss	(685,324)	(352,412)	(107,229)
Loss per share	(0.03)	(0.10)	(0.04)
Total assets	8,114,322	1,002,840	130,903
Total liabilities		10,000	6,245
	124,980		
Dividends	--	--	--

RESULTS OF OPERATIONS

Overall, the Company recorded a loss of $685,324 ($0.03 per common share) for the year ended August 31, 2011 as compared to a loss of $352,412 (2010 - ($0.06 per common share) for the year ended August 31, 2010.

Operating Expenses:

The operating expenses were $1,132,413 for the year ended August 31, 2011 as compared to $352,412 for the year ended August 31, 2010. The Company experienced an increase in operating expenses of $780,001 which was primarily due to the increase in stock-based compensation from $167,894 for 2010 to $298,958 for 2011 and the increased activities related to completing the Qualifying Transaction, the acquisition of the properties as described earlier, conducting exploration activities on those properties, and to the increase in corporate activity related to the private placements. A summary of these increases is as follows:

	August 31, 2011	August 31, 2010	Net Change
Accounting and audit	$ 43,485	$ 26,988	$ 16,497
Consulting fees	291,770	22,500	269,270
Office and miscellaneous	20,175	4,950	15,225
Investor relations	189,713	1,726	187,987
Rent	36,600	31,200	5,400
Management fees	145,000	10,000	135,000
Transfer agent and filing fees	64,666	22,461	42,205

MINERAL PROPERTIES

During the year ending August 31, 2011, additions to mineral properties totaled $3,284,491 (2010 - $452,350). The Company entered into six new option agreements for acquisition costs of $2,449,765 (2010 - $300,000) and incurred exploration expenditures of $834,726 (2010 - $152,350).

McCarthy Lake Project

During the year ended August 31, 2011, the Company incurred interest in property and other acquisition costs of $58,265 (2010 - $360,975), geological expenditures of $18,750 (2010 - $nil), consulting fees of $27,795 (2010 - $91,375) and surveying costs of $115,624 (2010 - $nil).

McGregor Lake Project

During the year ended August 31, 2011, the Company incurred interest in property costs of $673,000 (2010 - $nil), geological expenditures of $18,750 (2010 - $nil), consulting fees of $24,750 (2010 - $nil) and surveying costs of $287,835 (2010 - $nil).

Keefe Lake Project

During the year ended August 31, 2011, the Company incurred interest in property costs of $1,288,500 (2010 - $nil), geological expenditures of $18,750 (2010 - $nil), consulting fees of $40,500 (2010 - $nil) and surveying costs of $219,217 (2010 - $nil).

East Key Lake Project

During the year ended August 31, 2011, the Company incurred interest in property costs of $430,000 (2010 - $nil), geological expenditures of $6,250 (2010 - $nil), consulting fees of $9,500 (2010 - $nil) and surveying costs of $47,005 (2010 - $nil).

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended August 31, 2011	Three Months Ended May 31, 2011	Three Months Ended February 28, 2011	Three Months Ended November 30, 2010
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Interest income	23,537	1,052	4,500	-
Net income (loss)	196,752	(193,299)	(566,539)	(122,238)
Earnings (loss) per share – basic and diluted	0.01	(0.01)	(0.02)	(0.01)
Total assets	8,114,322	7,474,245	5,213,500	1,714,959
Working capital	4,284,501	4,584,992	2,117,516	361,971

	Three Months Ended August 31, 2010	Three Months Ended May 31, 2010	Three Months Ended February 28, 2010	Three Months Ended November 30, 2009
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Interest income	-	-	-	-
Net loss	(298,689)	(20,026)	(19,999)	(13,698)
Loss per share – basic and diluted	(0.07)	(0.01)	(0.01)	(0.01)
Total assets	1,002,840	71,980	95,591	119,736
Working capital	540,490	28,677	90,961	110,960

FOURTH QUARTER:

The net income for the three months ended August 31, 2011 increased to $196,752 (or $0.01 earnings per share) as compared to a net loss of $298,689 (or $0.07 loss per share) for the same period ending August 31, 2010, as the Company recognized a future income tax recovery of $418,000 during the fourth quarter.

The other general and administrative expenditures, in particular consulting and investor relations, had also increased for the fourth quarter as compared to the same period in 2010 due to increased corporate activity after the completing the Qualifying Transaction and the acquisition of new mineral properties described in note 3 of the audited financial statements.

In addition, on July 27, 2011, the Company entered into an agreement with an arm's-length vendor by which the Company has the option to earn a 100% interest (subject to a 1% NSR) in the Keefe Lake Property, a 12,832-hectare prospective uranium property in the Athabasca Basin region of Saskatchewan. The details for this transaction were discussed above and in the audited financial statements.

CHANGE IN ACCOUNTING POLICIES

Conversion to International Financial Reporting Standards ("IFRS")

In 2006, the Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's adoption date of September 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases:

1) Scoping phase which will assess the likely GAAP differences and overall effort required by the Company in order to transition to IFRS;
2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; and,
3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at September 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, including completing a preliminary assessment of the significant differences between Canadian GAAP and IFRS. Management is currently proceeding through phase two, which involves performing a detailed assessment of those IFRS standards relevant to the Company's financial statements.

The Company's IFRS conversion plan addresses matters including changes in accounting policies, IT and data systems, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion is understood and managed reasonably, the Company has retained an IFRS conversion consultant. Through in-depth training and detailed analysis of IFRS standards, the Company's accounting personnel has obtained a thorough understanding of IFRS and possesses sufficient financial reporting expertise to support the Company's future needs. The Company has also reviewed its internal and disclosure control processes and believes they will not need significant modification as a result of the conversion to IFRS. Further, the Company has assessed the impact on IT and data systems and has concluded there will be no significant impact to applications arising from the transition to IFRS.

Set out below are the most significant areas that management has identified on a preliminary basis to date, where changes to IFRS accounting policies may have a significant impact on the Company's consolidated financial statements:

IFRS 2: -Share Based Payments
The Company has treated awards with graded vesting under Canadian GAAP as one composite award and recognized related stock based compensation expense for the overall award on straight line basis. IFRS 2, on the other hand, requires that each vesting tranche of a graded vesting award be accounted for as a separate award and amortized over their individual vesting term.

Under Canadian GAAP, the effect of forfeitures has been recognized as they occur. Under IFRS, estimate of forfeitures must be made when determining the number of equity instruments expected to vest.

Upon adoption of IFRS, the Company will change both the method of accounted for graded vesting awards and forfeitures.

Management has not yet determined the measurement adjustment arising from the application of IFRS 2 on transition to IFRS.

IFRS 6: -Exploration and Evaluation Assets
Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized.

Upon adoption of IFRS, the Company could continue to apply this policy or change its policy to expense exploration and evaluation costs. The Company's current accounting policy of capitalizing costs incurred for exploration, and evaluation costs will likely be maintained through transition with no significant differences anticipated.

IAS 21: - Effects of changes in foreign exchange rates
Under Canadian GAAP, the functional currency (referred to as measurement currency) of the Company and all its subsidiaries is the Canadian dollar.

Management has preliminarily concluded that the functional currency of all Company entities is the Canadian dollar under IFRS. There will therefore be no measurement arising from the application of IAS 21 on transition to IFRS.

IAS 12: - Future Income Taxes
Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings.

Management has not yet determined the measurement adjustment arising from the application of IAS 12 on transition to IFRS.

IAS 1: - Presentation of Financial Statements
One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required in its consolidated financial statements.

IFRS 1 First-Time Adoption of International Financial Reporting Standards
Adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company continues to review all IFRS 1 exemptions and will implement those determined to be most appropriate in its circumstances on transition to IFRS. One of the optional exemptions available under IFRS 1 that the Company currently intends to elect on transition is described below:

Share-Based Payments
IFRS 1 permits the application of IFRS 2 Share-Based Payments only to equity instruments granted after November 7, 2002 that had not vested by the date of transition to IFRS. The Company expects to elect this exemption and to apply IFRS 2 for equity instruments granted after November 7, 2002 that had not vested by September 1, 2010.

The discussion above on potential significant impacts on transition to IFRS is provided to allow readers to obtain a better understanding of the Company's IFRS changeover plan and the resulting potential effects on the Company's consolidated financial statements. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose. This discussion reflects the Company's most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions or expectations. The Company is still in the process of completing the selection of IFRS accounting policies and the quantification of identified differences. Accordingly, the discussion above is subject to change.

LIQUIDITY AND CAPITAL RESOURCES

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise additional capital through equity offerings.

	August 31, 2011	August 31, 2010
Working capital	$ 4,284,501	$ 540,490
Deficit	(1,212,051)	(526,727)

Net cash used in operating activities during the year ended August 31, 2011 was $870,456 (2010 - $251,450). The cash used in operating activities for the current year consists primarily of general and administrative expenses and change in non-cash working capital of $66,090 (2010 - $66,932).

Net cash used in investing activities during the year ended August 31, 2011 was $1,095,491 (2010 - $252,350) which relates to costs for the acquisition and exploration of mineral properties.

Net cash provided by financing activities during the year ended August 31, 2011 was $5,706,368 (2010 - $852,700) which was from share subscriptions received of $6,167,379, net of issuance costs of $461,011.

The Company has sufficient working capital to complete its current operating and exploration and development program requirements for the coming year. The Company does not have any long-term debt. It will continue to focus on identifying, exploring and developing its mineral properties.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) The Company paid management fees of $145,000 (2010 - $10,000) to companies controlled by directors of the Company.

b) The Company paid consulting fees of $23,400 (2010 - $3,000) to an officer of the Company, which have been capitalized to exploration costs.

c) The Company paid consulting fees of $12,000 (2010 - $ nil) to a director of the Company.

d) The Company paid consulting fees of $nil (2010 - $12,500) to a former director of the Company.

e) The Company paid $nil (2010 - $10,000) to a Company controlled by a director of the Company.

f) The Company paid $6,600 (2010 - $nil) for rent to a company with common directors.

At August 31, 2011, the Company paid consulting fees of $105,375 to a company with former common directors, of which $12,545 (2010 - $88,375) was capitalized to exploration costs.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

CRITICAL ACCOUNTING ESTIMATES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and form the basis for the following discussion and analysis of critical accounting policies and estimates. The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities during the course of preparing these financial statements. On a regular basis, the Company evaluates estimates and assumptions including those related to the determination of impairment of assets and the recognition of stock-based compensation.

Estimates are based on historical experience and on various other assumptions that the Company believes to be reasonable. These estimates form the basis of judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

OFF-BALANCE SHEET ARRANGEMENTS

As at August 31, 2010 and August 31, 2011, the Company does not have any off-balance sheet arrangements

PROPOSED TRANSACTIONS

The Company is continuously evaluating new opportunities, and while various negotiations may be ongoing at any given time, these may or may not be successful. The Company is primarily focused on evaluating growth opportunities. The Company considers opportunities where exceptional value to the shareholders is evident. Should the Company be successful in advancing a property to National Instrument 43-101 resource stage, the project would likely have a significant impact on its operating requirements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's receivables are owed from the Federal Government of Canada as a result of Harmonized Sales Tax (HST) refunds. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2011, the Company had a cash balance of $4,215,050 (2010 - $474,629) to settle current liabilities of $92,980 (2010 - $10,000). All of the Company's financial liabilities have contracted maturities of less than 30 days and are subject to normal trade terms. The Company expects to fund these and future liabilities through use of the Company's cash balance and the issuance of capital stock.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of August 31, 2011, the Company has $4,250,000 in investment-grade short-term deposit certificates.

b) Foreign currency risk

Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company does not have any balances or transactions denominated in a foreign currency.

c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

SHARE CAPITAL

	Number of Shares	Capital Stock	Contributed Surplus
Authorized:			
Unlimited common shares without par value			
Unlimited preferred shares without par value			
Balance as at August 31, 2010	15,000,000	$ 1,267,836	$ 251,731
Issuance for purchase of property options, detailed on mineral property note 3 in the financial statements	8,700,000	2,126,500	-
Issuance on private placement	22,062,614	5,978,629	-
Share issuance costs	-	(633,229)	-
Issuance on warrant exercise	943,751	188,750	-
Issuance costs for agents' warrants	-	-	172,218
Stock-based compensation	-	-	298,958
Tax benefit renounced to flow-through share subscribers	-	(450,000)	-
Balance as at August 31, 2011 and December 14, 2011 (date of report)	46,706,365	$ 8,478,486	$ 722,907

Private placements

During the year ended August 31, 2011, the Company completed three private placements, resulting in an issuance of 22,062,614 common shares for gross proceeds of $5,978,629, and issuance costs of $633,229.

Escrow shares

The Company had 4,000,000 common shares which are subject to escrow agreements, 10% of which were released from escrow upon completion of the Company's Qualifying Transaction. An additional 15% are released from escrow every six months thereafter.

As at August 31, 2011 and December 14, 2011 (date of report), 2,400,000 (2010 - 3,600,000) common shares are held in escrow.

Stock options

As at August 31, 2011, there are 3,325,000 stock options outstanding and exercisable as follows:

Number of Options	Exercise Price	Expiry Date
400,000	$ 0.10	January 25, 2013
700,000	0.25	August 4, 2015
1,475,000	0.26	January 20, 2016
750,000	0.20	August 22, 2016
3,325,000		

On December 14, 2011 (date of report), there are 3,575,000 options outstanding and exercisable.

Warrants

As at August 31, 2011 there were 23,952,366 share purchase warrants outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date
6,477,391	0.35	December 7, 2011
489,130	0.23	December 7, 2011
126,000	0.30	December 7, 2011
1,348,695	0.35	December 23, 2011
7,025,870	0.30	December 23, 2011
5,694,814	0.50	March 11, 2012
289,473	0.38	March 11, 2013
2,500,993	0.45	March 12, 2012
23,952,366		

On December 14, 2011 (date of report), there are 16,859,845 warrants outstanding and exercisable as 7,092,521 warrants expired unexercised on December 7, 2011.

OUTLOOK

The Company's primary focus for the foreseeable future will be on exploring and developing the current mineral properties in its portfolio and other properties as they are identified and acquired.

FORWARD-LOOKING STATEMENTS

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the Company, including but not limited to statements with respect to the Company’s plans or future financial or operating performance, the estimation of mineral reserves and resources, conclusions of economic assessments of projects, requirements for additional capital, sources and timing of additional financing, realization of unused tax benefits and future outcome of legal and tax matters.

The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect”, “budget”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements. These uncertainties are factors that include but are not limited to risks related to international operations; risks related to general economic conditions and credit availability, uncertainty related to the resolution of legal disputes and lawsuits; actual results of current exploration activities, unanticipated reclamation expenses; fluctuations in prices of uranium; fluctuations in foreign currency exchange rates, increases in market prices of mining consumables, possible variations in mineral resources, grade or recovery rates; accidents, labour disputes, title disputes, claims and limitations on insurance coverage and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, changes in national and local government regulation of mining operations, tax rules and regulations, and political and economic developments in countries in which the Company operates.

The Company's management reviews periodically information reflected in forward-looking statements. The Company has and continues to disclose in its Management Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur.

Historical results of operations and trends that may be inferred from the above discussions and analysis may not necessarily indicate future results from operations.

OTHER INFORMATION

Additional information relating to the Company can be found on the Company's website at www.athabascauranium.com or on SEDAR at www.sedar.com**.**