

# ATHABASCA URANIUM INC.

## MANAGEMENT DISCUSSION & ANALYSIS FOR THE NINE MONTHS ENDED MAY 31, 2012

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Management's Discussion & 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 in conjunction with the Company's unaudited financial statements and notes for the nine months ended May 31, 2012 and the audited financial statements and notes for the year ended August 31, 2011. All amounts are stated in Canadian dollars unless otherwise indicated. The effective date of this report is July 27, 2012.

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" section of the report.

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 including the MD&A and to discuss other financial, operating and internal control matters.

Financial results are now being reported in accordance with International Financial Reporting Standards ("IFRS"). As a result, accounting policies, presentation, financial statement captions and terminology used in this discussion and analysis differ from those used in previous financial reporting. Further details on the transition to IFRS are included in Notes 2 and 17 of the condensed interim financial statements for the quarter ended May 31, 2012.

The reader is encouraged to review Company statutory filings on [www.sedar.com](http://www.sedar.com).

### DESCRIPTION OF BUSINESS AND OVERVIEW

Athabasca Uranium Inc. (the "Company") 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 60,800 hectares 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](http://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. On March 5, 2012, the Company issued 3,000,000 common shares to an arm's-length vendor to acquire the remaining 50% interest in its McCarthy Lake Project. Athabasca Uranium is now the 100% owner (subject to a 2.5% NSR royalty) of the 4,082-hectare Project.

***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 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 the 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. The 1% NSR may be purchased by the Company for \$1,500,000.

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 Project in northeast Saskatchewan. The Volhoffer Lake Project is comprised of two contiguous claims totaling 8,530 hectares located on the eastern margin of the Athabasca Basin adjacent to the Company's Keefe Lake Project to the north and its Webb River Project to the south. The Company paid consideration of \$555,000 to the vendor, consisting of \$55,000 cash and 2,500,000 common shares at a fair value of \$500,000, fulfilling the initial commitment under the Volhoffer Lake property option agreement. Additional commitments in order to exercise the purchase option include the Company completing \$5,000,000 in qualified exploration work on the Project on or before the fifth anniversary of the agreement and by making an additional cash payment of \$1,200,000 within five years. 1% of the 2% NSR may be purchased by the Company from the vendor at any time for \$1,200,000.

## Project Consolidation

As the Volhoffer Lake Project extends north from the Company's Webb River Project to adjoin its Keefe Lake Project, these three projects were consolidated into one to form the larger Keefe Lake Project, which will now have an areal extent of over 32,000 contiguous hectares in the shallow southeastern region of the Athabasca Basin. There is no reduction in size to any of these three projects.

### *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 by the Company for \$1,500,000.

## SUMMARY OF QUARTERLY RESULTS

Selected financial indicators for the past eight quarterly periods are shown in the following table (expressed in Canadian dollars):

	Three Months Ended May 31, 2012 (IFRS)	Three Months Ended February 29, 2012 (IFRS)	Three Months Ended November 30, 2011 (IFRS)	Three Months Ended August 31, 2011 (IFRS)
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Interest income	3,961	6,355	10,965	23,537
Net income (loss)	(312,834)	(158,574)	(169,515)	196,752
Earnings (loss) per share – basic and diluted	(0.01)	(0.01)	(0.00)	0.01
Total assets	8,659,788	8,211,724	8,606,406	8,114,322
Working capital	794,554	2,073,691	2,702,353	4,284,501

	Three Months Ended May 31, 2011 (IFRS)	Three Months Ended February 28, 2011 (IFRS)	Three Months Ended November 30, 2010 (IFRS)	Three Months Ended August 31, 2010 (IFRS)
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Interest income	1,052	4,500	-	-
Net loss	(193,299)	(566,539)	(122,238)	(298,689)
Loss per share – basic and diluted	(0.01)	(0.02)	(0.01)	(0.07)
Total assets	7,474,245	5,213,500	1,714,959	1,002,840
Working capital	4,584,992	2,117,516	361,971	540,490

Fluctuations in the Company's expenditures reflect the variations in the timing of exploration activities and general operations, and the ability of the Company to raise capital for its projects. Quarterly periods ending in August 31, 2010 and February 28, 2011 were higher due to the issuance of share-based payments.

## RESULTS OF OPERATIONS

Overall, the Company recorded a loss of \$640,923 (\$0.01 per common share) for the nine months ended May 31, 2012 as compared to a loss of \$882,076 (\$0.04 per common share) for the nine months ended May 31, 2011.

### Operating Expenses:

Operating expenses were \$575,846 for the nine months ended May 31, 2012 as compared to \$887,628 for the nine months ended May 31, 2011. The decrease in operating expenses as compared to the prior period was primarily due to the decrease in share-based payments of \$130,480 to \$72,222 for the period ended May 31, 2012 (2011 - \$202,702) due to fewer stock options issued in the period, a decrease in investor relations costs of \$43,028 to \$122,206 (2011 - \$165,234) which was due to lower marketing expenditures and a decrease in consulting fees of \$128,338 to \$130,032 (2011 - \$258,370) as fewer consultants were required to support the Company's operating activities.

The net change in other operating expenses are as detailed below:

	2012	2011	Net change
Office and miscellaneous	\$ 19,940	\$ 13,377	\$ 6,563
Professional fees	37,159	39,304	(2,145)
Travel and promotion	2,969	12,193	(9,224)
Rent	31,500	29,100	2,400
Regulatory and filing fees	43,276	58,630	(15,354)

### Third Quarter Results:

During the three months ended May 31, 2012 the Company's net loss increased by \$158,887 to \$312,834 (2011 - \$153,947). The increase was primarily due to the increase in share based payments of \$27,904 (2011 - \$nil) and the deferred tax expense of \$233,074 (2011 - \$153,947).

#### *Drill Program*

Also during the period, the Company commenced and completed the Keefe Lake 2012 Phase 2 drill program, continuing November 2011's Keefe Phase 1 drilling. Four Keefe Phase 2 holes (1,648 meters total) were drilled to test the dimensions of the Keefe Lake Alteration Zone, discovered during Phase 1 drilling, and an additional four holes (894 meters total) were completed on the adjacent Volhoffer property, bringing the total drilled for the Spring 2012 program to 2,542 meters. Costs of the Phase 2 drill program totaled approximately \$1,670,000.

In a news release dated June 26, 2012, the Company reported the results of the lithochemical and PIMA/clay alteration samples from its Phase 2 drilling. Basement alteration was found to continue beyond the expected regolith alteration to the bottom of Hole KEF-12-08, which was drilled to test the extent of alteration encountered at the bottom of Hole AU4-01, which was drilled to a depth of 402 metres in 2011. Drill Hole KEF-12-08 confirmed the base metal enrichment (Lead, Cobalt, Arsenic and Nickel) in the sandstone, which was encountered in Hole AU4-01. In addition to confirming the elevated uranium enrichment (112ppm U\* over 2 metres) at approximately 400 metres depth which was encountered in Hole AU4-01, two other zones of anomalous uranium mineralization were encountered at a greater depth. The discovery of base metal enrichment in the overlying sandstone, and uranium enrichment at depth, as well as the high degree of silicification (which has been repeatedly fractured and healed), is significant in that it indicates that the Keefe Lake Alteration Zone has been subject to multiple hydrothermal alteration events, typical of Athabasca Basin deposits. The target area, which is coincident with a magnetic low feature that extends for several kilometers to the northeast and southwest, appears to extend beyond 325 metres into the basement. All holes at Keefe Lake showed alteration that extended into the basement. The Company will examine petrographic thin sections of core taken in the basement rocks in the area in order to determine the qualitative mineralogical and alteration features of the basement alteration zone.

In addition to the drilling, downhole geophysical surveys (including sonic, gamma and magnetics) were completed on Holes KEF-12-08 (552 meters) and KEF-12-09 (357 meters) by SEMM Logging. The sonic data, which tests the acoustic properties of rock types in situ, is of special interest as it will be used to help refine the Company's historic 2D seismic dataset, the primary tool used to develop the drill targets that intersected the Keefe Lake Alteration Zone and the uranium mineralization reported in the Company's first Keefe Lake hole. Comprehensive modeling of the Zone and the surrounding area is to begin immediately.

### *McCarthy Lake Acquisition*

Also during the three months ended May 31, 2012, the Company completed the acquisition of the remaining 50% interest in its McCarthy Lake Project, bringing its ownership interest in the 4,082-hectare Project to 100% (subject to a 2.5% NSR royalty).

## **MINERAL PROPERTIES**

During the nine months ended May 31, 2012, additions to mineral properties totaled \$4,074,857 (2011 - \$2,433,492). The Company entered into an option agreement for acquisition costs of \$1,247,431 (2011 - \$1,651,000), and incurred consulting fees of \$298,677 (2011 - \$54,545) and drilling expenditures of \$2,515,295 (2011 - \$nil).

### **McCarthy Lake Project**

During the nine months ended May 31, 2012, the Company incurred interest in property costs of \$621,319 (2011 - \$nil) and consulting fees of \$2,173 (2011 - \$20,295).

### **McGregor Lake Project**

During the nine months ended May 31, 2012, the Company incurred interest in property costs of \$nil (2011 - \$601,000) and consulting fees of \$2,173 (2011 - \$17,250).

### **Keefe Lake Project**

During the nine months ended May 31, 2012, the Company incurred interest in property costs of \$626,112 (2011 - \$630,000), drilling expenditures of \$2,515,295 (2011 - \$nil) and consulting fees of \$292,940 (2011 - \$12,000).

### **East Key Lake Project**

During the nine months ended May 31, 2012, the Company incurred consulting fees of \$1,391 (2011 - \$5,000).

## **CHANGE IN ACCOUNTING POLICIES**

### **Conversion to International Financial Reporting Standards (“IFRS”)**

The financial statements have been prepared in accordance with IFRS 1, “First-time Adoption of International Reporting Standards” and with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, as issued by the international Accounting Standards Board (“IASB”). The policies and estimates are considered appropriate under the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

The accounting policies in Note 2 have been applied in preparing the condensed interim financial statements for the nine months ended May 31, 2012, the comparative information for the nine months ended May 31, 2011, the financial statements for the year ended August 31, 2011 and the preparation of an opening IFRS statement of financial position on the Transition Date, September 1, 2010.

In preparing its opening IFRS statement of financial position, comparative information for the nine months ended May 31, 2011 and financial statements for the year ended August 31, 2011, the Company adjusted amounts reported previously in financial statements prepared in accordance with pre-changeover Canadian GAAP. Reconciliation between IFRS and the previous GAAP is presented in Note 17 of the condensed interim financial statements.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Company has applied the following optional exemptions to its opening statement of financial position dated September 1, 2010:

- IFRS 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before September 1, 2010, the Company’s date of transition and such business combinations have not been restated.

- IFRS 2 *Share-based Payment* has not been applied to any equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before September 1, 2010.

The Company has applied the following mandatory exception to its opening statement of financial position dated September 1, 2010:

- The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

Reconciliation of pre-changeover Canadian GAAP to IFRS is included in the consolidated statement of financial position.

As there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

Please see notes 2 and 17 of the condensed interim financial statements for further details.

## 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.

	May 31, 2012	August 31, 2011	September 30, 2010
Working capital	\$ 794,554	\$ 3,986,115	540,490
Deficit	(2,227,213)	(1,586,290)	(526,727)

Net cash used in operating activities during the nine months ended May 31, 2012 was \$546,414 (2011 - \$729,403). The cash used in operating activities for the current year consists primarily of general and administrative expenses of \$489,951 (2011 - \$679,374) and change in non-cash working capital of \$56,463 (2011 - \$50,029).

Net cash used in investing activities during the nine months ended May 31, 2012 was \$3,021,041 (2011 - \$982,491) which relates to costs for the acquisition and exploration of mineral properties.

Net cash provided by financing activities during the nine months ended May 31, 2012 was \$nil (2011 - \$5,706,638) as there were no private placements or stock option or warrants exercised during the period.

The Company does not have sufficient working capital to complete its current operating and exploration and development program requirements for the coming year and is seeking additional financing through equity offerings. 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:

	Nine month periods ended	
	May 31, 2012	May 31, 2011
Management fees paid to a company controlled by the CEO	\$ 48,000	\$ 62,500
Management fees paid to a company controlled by the CFO	67,500	45,000
Consulting fees paid to an officer and to a former director of the company	29,300	12,000
Consulting fees paid to an officer of the company which have been capitalized to exploration costs	1,600	9,000
Rent to a company with common directors	-	6,600
	<u>\$ 146,400</u>	<u>\$ 135,100</u>

At May 31, 2012, included in accounts payable is \$nil in consulting fees paid to a director which were capitalized to exploration costs (August 31, 2011 - consulting fees of \$105,375 were paid to a company with former common directors, of which \$12,545 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.

## OFF-BALANCE SHEET ARRANGEMENTS

As at May 31, 2012 and August 31, 2011, the Company does not have any off-balance sheet arrangements.

## 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.

## 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

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

As at May 31, 2012, the carrying values of cash and equivalents, receivables and accounts payable and accrued liabilities, due to related parties and loans payable approximate their fair values due to their short terms to maturity.

## Financial Risks

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### *Credit risk*

The Company's credit risk is primarily attributable to cash and equivalents and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing account at reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institution and for receivables by standard credit checks. At May 31, 2012, the Company's exposure to credit risk is minimal.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at May 31, 2012, the Company had a cash balance of \$647,596 (August 31, 2011 - \$4,215,050, September 1, 2010 - \$474,629) to settle accounts payable and accrued liabilities of \$28,397 (August 31, 2011 - \$92,980, September 1, 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.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

### *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 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 May 31, 2012, the Company has \$600,000 (August 31, 2011 - \$4,250,000, September 1, 2010 - \$nil) 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

### *Authorized share capital*

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

### *Issued share capital*

At July 27, 2012 (date of report) and May 31, 2012 there are 52,206,365 issued and fully paid common shares (August 31, 2011 - 46,706,365, September 1, 2010 - 15,000,000).

Please refer to the Interim Statement of Changes in Shareholders' Equity of condensed interim financial statements for a summary of changes in share capital and contributed surplus for the nine months ended May 31, 2012.

### *Private placements*

There were no private placements during the period.

Subsequent to the quarter, the Company announced a private placement for aggregate gross proceeds of up to \$750,000. The proposed Offering is comprised of up to 3,000,000 flow through shares at a price of \$0.15 per flow through share for gross proceeds of up to \$450,000 and up to 2,500,000 non-flow through Units at a price of \$0.12 per Unit for gross proceeds of up to \$300,000. Each Unit will consist of one common share and one half of one common share purchase Warrant. Each whole Warrant will entitle the holder to purchase one additional common share at a price of \$0.25 per share for a period of one year from the closing of the Offering. Proceeds from the sale of flow through shares will be used for exploration on the Company's mineral properties in Saskatchewan. Proceeds from the sale of Units will be used for general working capital and corporate purposes.

### *Escrow shares*

As at May 31, 2012 - 1,800,000 common shares were held in escrow. Pursuant to a July 7, 2012 scheduled release of 600,000 escrowed shares, 1,200,000 common shares are held in escrow as at July 27, 2012 (date of report).

### **Stock options**

Stock options outstanding and exercisable at May 31, 2012 were 3,325,000.

Subsequent to the quarter the Company granted 550,000 options. The stock options outstanding at July 27, 2012 (date of report) are as follows:

Number of Options	Exercise Price	Expiry Date
400,000	\$ 0.10	January 25, 2013
600,000	0.25	August 4, 2015
1,225,000	0.26	January 20, 2016
650,000	0.20	August 22, 2016
250,000	0.24	November 23, 2016
200,000	0.20	May 2, 2017
550,000	0.15	July 10, 2017
<u>3,875,000</u>		

### **Warrants**

As at July 27, 2012 and May 31, 2012 there were 2,041,714 (August 31, 2011 - 23,952,366) share purchase warrants outstanding.

## **OUTLOOK**

The Company's primary focus for the foreseeable future will be on exploring and developing its current mineral properties 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 gold; 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](http://www.athabascauranium.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).