ATHABASCA URANIUM INC.

MANAGEMENT DISCUSSION & ANALYSIS
FOR THE YEAR ENDED
AUGUST 31, 2012

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 audited financial statements and notes for the year ended August 31, 2012. All amounts are stated in Canadian dollars unless otherwise indicated. The effective date of this report is December 6, 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 financial statements for the year ended August 31, 2012.

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

DESCRIPTION OF BUSINESS AND OVERVIEW

Athabasca Uranium Inc. (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 trades on the TSX Venture Exchange under the symbol, 'UAX'.

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 to acquire a 50% interest in the mineral rights underlying the prospective uranium property known as the McCarthy Lake Property located in the Athabasca Basin region of northeast Saskatchewan. During its winter 2011 exploration program, the Company expended over $200,000 on exploration at McCarthy Lake, thereby exercising its option and acquiring a 50% interest in the Property.

On March 14, 2012, the Company issued 3,000,000 common shares to the vendor to acquire the remaining 50% interest in the McCarthy Lake Project. Athabasca Uranium is now the 100% owner of the 4,082-hectare Project, subject to a 2.5% net smelter return ("NSR") royalty, 80% of which the Company may purchase for $500,000.

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 McGregor Lake Property, located in the Athabasca Basin region. 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 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 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 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 Webb River Property located in the Athabasca Basin region. 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 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 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 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 property in the Athabasca Basin region. 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 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, comprising 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 for $1,200,000.

Project Consolidation

During the year ended August 31, 2012, the Company consolidated its Volhoffer Lake, Webb River, and Keefe Lake properties into one cash-generating unit, the larger Keefe Lake Project, which has an areal extent of over 32,000 contiguous hectares in the shallow southeastern region of the Athabasca Basin.

Drill Programs

During the year ended August 31, 2012, the Company commenced and completed the Keefe Lake Phase 1 and Phase 2 drill programs (see **MINERAL PROPERTIES / Keefe Lake Project** below).

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 East Key Lake Property located in the Athabasca Basin region. The Company paid consideration of $430,000 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 August 31, 2012	Three Months Ended May 31, 2012	Three Months Ended February 29, 2012	Three Months Ended November 30, 2011
Revenue	$ Nil	$ Nil	$ Nil	$ Nil
Interest income	891	3,961	6,355	10,965
Net income (loss)	(327,522)	(312,834)	(158,574)	(169,515)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.00)	(0.00)
Total assets	9,108,916	8,659,788	8,211,724	8,606,406
Working capital	751,856	794,554	2,073,691	2,702,353

	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)	(153,359)	(153,947)	(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

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, including share-based payments during certain quarters.

RESULTS OF OPERATIONS

Overall, the Company recorded a loss of $968,445 ($0.02 per common share) for the year ended August 31, 2012 as compared to a loss of $996,083 ($0.03 per common share) for the year ended August 31, 2011.

Operating Expenses:

The operating expenses were $797,778 for the year ended August 31, 2012 as compared to $1,132,413 for the year ended August 31, 2011. The decrease in operating expenses as compared to the prior year was primarily due to the decrease in share-based payments of $155,979 to $142,979 for the year ended August 31, 2012 (2011 - $298,958) due to fewer stock options issued in the period, a decrease in investor relations costs of $51,206 to $138,507 (2011 - $189,713) and a decrease in consulting fees of $122,828 to $168,942 (2011 - $291,770) as fewer consultants were required to support the Company’s operating activities.

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

	2012	**2011**	Net change
Office and miscellaneous	$ 27,646	$ 20,175	$ 7,471
Professional fees	67,539	71,699	(4,160)
Travel and promotion	3,800	12,445	(8,645)
Rent	43,500	36,600	6,900
Regulatory and filing fees	49,967	64,666	(14,699)

Fourth Quarter Results:

During the three months ended August 31, 2012, the Company's net loss increased by $174,163 to $327,522 (2011 – $153,359). The increase was primarily due to an increase in flow through premium recognized of $49,522 (2011 - $14,413) and deferred tax expense of $156,003 (2011- $53,476).

MINERAL PROPERTIES

During the year ended August 31, 2012, the Company commenced and completed the Keefe Lake 2012 Phase 2 drill program and completed the acquisition of the remaining 50% interest in its McCarthy Lake Project.

Additions to mineral properties totaled $4,515,385 (2011 - $3,284,491). The Company incurred acquisition costs of $1,247,431 (2011 - $2,449,765), exploration consulting fees of $339,351 (2011 - 165,045) and incurred drilling expenditures of $2,913,156 (2011 - $nil).

McCarthy Lake Project

During the year ended August 31, 2012, the Company incurred $621,319 (2011 -$58,265) acquiring interest in the property and exploration consulting fees of $2,173 (2011 - $46,545).

McGregor Lake Project

During the year ended August 31, 2012, the Company incurred interest in property costs of $nil (2011 - $673,000) and exploration consulting fees of $2,173 (2011 - $43,500).

Keefe Lake Project

During the year ended August 31, 2012, the Company incurred interest in property costs of $626,112 (2011 - $1,288,500), drilling expenditures of $2,913,156 (2011 - $ nil) and exploration consulting fees of $333,614 (2011 - $59,250).

Drill Programs:

During the fiscal year ended August 31, 2012, the Company commenced and completed the Keefe Lake Phase 1 and Phase 2 drill programs at an aggregate cost of $3,246,770.

In a news release dated November 24, 2011, Phase 1 drilling was reported to have intersected a large zone of alteration named the Keefe Lake Alteration Zone. Five holes (1,645 metres total) were completed by mid-December 2011, and in a news release dated March 24, 2012, the Company issued the results, which included two holes encountering significantly anomalous alteration and another containing chloritic alteration at various intervals below the unconformity, a common feature found in the host rocks containing uranium mineralization. In particular, Hole AU4-1's sandstone column revealed elevated levels of uranium (up to 155 ppm U) within a sheared/fractured granitic pegmatite that continued well into the basement. In addition to the visible alteration in the sandstone, elevated levels of uranium indicator metals were identified, which included: Cobalt (up to 12 times background), Arsenic (up to 3 times background), Lead (up to 5 times background) and Nickel (up to 9 times background). Samples from basement lithologies The basement of Hole AU4-1 consisted predominantly of quartzite with minor intervals of arkosic quartzite, semipelitic gneiss and amphibolite.

In April 2012, the Company commenced the Keefe Lake Phase 2 program, which continued more speficic drilling in the Keefe Lake Alteration Zone. Four holes (1,648 meters total) were drilled on the Keefe Lake property and an additional four holes (894 meters total) were completed on the adjacent Volhoffer property. Total Phase 2 drilling was 2,542 meters.

In a news release dated June 26, 2012, the Company reported the results of the lithogeochemical and PIMA/clay alteration samples from its Keefe 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 began immediately and is ongoing.

East Key Lake Project

During the year ended August 31, 2012, the Company incurred interest in property costs of $nil (2011 - $430,000) and exploration consulting fees of $1,391 (2011 - $15,750).

CHANGE IN ACCOUNTING POLICIES

Conversion to International Financial Reporting Standards ("IFRS")

These are the Company's first annual financial statements presented in accordance with IFRS. Previously the Company prepared its annual financial statements in accordance with Canadian GAAP. The policies and estimates are considered appropriate under the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

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 elected to take the following IFRS 1 optional exemptions:

- 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 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 financial statements for further details.

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2012, the Company had a cash balance of $804,703 (2011 - $4,215,050) to settle current liabilities of $104,834 (2011 - $391,366). The Company expects to fund these liabilities and its exploration and operational activities through the issuance of capital stock and loans from related parties over the coming year.

As at August 31, 2012, the Company's cash and cash equivalents decreased by $3,410,347 to $804,703 from $4,215,050 as at August 31, 2011 as cash of $527,054 (2011 - $870,456) was used for operating activities and $3,477,885 (2011 - $1,095,491) was used for investing activities, net of $594,592 (2011 - $5,706,368) cash provided by financing activities.

During the year ended August 31, 2012, the cash used in operating activities was $527,054 (2011 - $870,456). The cash used during the year consist primarily of general and administrative expenditures of $797,778 (2011 - $1,132,413) net of non-cash expenses of $328,210 (2011 - $191,717) and change in non-cash operating working capital of $113,181 (2011 - ($66,090)).

During the year ended August 31, 2012, cash used in investing activities was $3,477,885 (2011 - $1,095,491) which was used to finance the acquisition and exploration of evaluation and exploration assets.

During the year ended August 31, 2012, cash from financing activities was $594,592 (2011 - $5,706,638) which were proceeds of a private placement of shares in the capital stock of the Company (see **SHARE CAPITAL /** ***Private placements*** below).

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

	Years Ended	
	August 31, 2012	**August 31, 2011**
Management fees paid to a company controlled by the CEO	$ 60,000	$ 60,000
Management fees paid to a company controlled by the CFO	90,000	85,000
Consulting fees paid to an officer of the company	24,800	23,400
Consulting fees paid to a company controlled by an officer of the company	-	92,830
Consulting fees paid to a director of the company	9,000	12,000
Consulting fees paid to an officer of the company which have been capitalized to exploration costs	1,600	-
Consulting fees paid to a company controlled by an officer of the company which have been capitalized to exploration costs	-	12,545
Share-based payments to officers	19,290	124,815
Share-based payments to directors	32,150	49,845
Rent to a company with common directors	-	6,600
	$ 236,840	$ 467,035

At August 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).

The remuneration of directors and key management personnel during the year ended August 31, 2012 and 2011 are as follows:

	2012	2011
Salaries and directors fees	$ 9,000	$ 12,000
Management fees	150,000	145,000
Share-based payments (i)	45,010	149,535
	$ 204,010	$ 306,535

(i) Share-based payments are the fair value of options granted to key management personnel.

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 preparation of the Company's financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Carrying value and recoverability of exploration and evaluation assets
The carrying amount of Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factor and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.
To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Fair value of stock options and warrants
Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Income taxes
The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

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 August 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

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. At August 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 August 31, 2012, the Company had a cash balance of $804,703 (August 31, 2011 - $4,215,050, September 1, 2010 - $474,629) to settle accounts payable and accrued liabilities of $33,217(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 August 31, 2012, the Company has $200,000 (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

As at December 6, 2012 (date of report) and August 31, 2012, there were 56,706,365 issued and fully paid common shares.

Please refer to the Statement of Changes in Shareholders' Equity for a summary of changes in share capital and reserves for the year ended August 31, 2012. Reserves relates to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

Private placements

On August 24, 2012, the Company issued 3,200,000 flow through common shares ("FT Shares") at a price of $0.15 per FT Share and 1,300,000 non-flow through units ("NFT Units") consisting of one common share and one-half of one share purchase warrant (the "NFT Warrant") at a price of $0.12 per NFT Unit for aggregate gross proceeds of $636,000. Each whole NFT Warrant issued entitles the holder thereof to purchase one common share at a price of $0.25 per share until August 24, 2013.

In connection with the placement, the Company paid certain finders an aggregate cash commission of $41,408 and issued 289,387 finder's warrants. Each finder's warrant entitles a Finder to purchase a common share of the Company at an exercise price of $0.25 per share until August 24, 2013.

Escrow shares

As at December 6, 2012 (date of report) and August 31, 2012, there were 1,295,000 common shares held in escrow.

Stock options

As at December 6, 2012 (date of report) and August 31, 2012, there were 4,325,000 stock options outstanding and exercisable.

Warrants

As at December 6, 2012 and August 31, 2012, there were 2,981,103 share purchase warrants outstanding.

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.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 6, 2012 (date of report) and August 31, 2012, the Company does not have any off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, fluctuating metal prices, social, political, financial and economics. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practicable.

The risks and uncertainties are considered by management to be the most important in the context of the Company's business. The risks and uncertainties are not limited to but include risks associated with our dependence on the McCarthy Lake, McGregor Lake, Keefe Lake and the East Key Lake exploration projects in Canada are: geological exploration and development; changes in law; continued negative operating cash flow and the availability of additional funding as and when required; infrastructure; inflation; governmental regulation; environmental; hazards, insurance; uninsured risks; competition; currency fluctuations; labour and employment; joint ventures; contract repudiation; dependence on key management personnel and executives; and litigation risks.

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 or on SEDAR at www.sedar.com**.**