



athabascauraniuminc.

(An Exploration Stage Company)

Condensed Interim Financial Statements

Three Months Ended November 30, 2012

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

ATHABASCA URANIUM INC.

(An Exploration Stage Company)

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars - Unaudited)

	Notes	November 30, 2012	August 31, 2012
ASSETS			
Current assets			
Cash and equivalents		\$ 552,075	\$ 804,703
Receivables	4	16,929	40,281
Prepays		106,345	11,706
Total current assets		675,349	856,690
Non-current assets			
Exploration and evaluation assets	5	8,302,071	8,252,226
TOTAL ASSETS		\$ 8,977,420	\$ 9,108,916
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 38,448	\$ 33,217
Other liabilities	7	41,648	71,617
Total current liabilities		80,096	104,834
Non-current liabilities			
Deferred tax liability		511,280	508,000
TOTAL LIABILITIES		591,376	612,834
SHAREHOLDERS' EQUITY			
Share capital	9	10,117,784	10,117,784
Reserves	10	869,553	869,553
Accumulated deficit		(2,601,293)	(2,491,255)
TOTAL SHAREHOLDERS' EQUITY		8,386,044	8,496,082
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 8,977,420	\$ 9,108,916

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Gil Schneider"

Director

"D. Barry Lee"

Director

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

ATHABASCA URANIUM INC.

(An Exploration Stage Company)

Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars - Unaudited)

	Notes	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011
EXPENSES			
Bank charges and interest		\$ 399	\$ 1,417
Consulting	11	41,123	35,869
Investor relations		19,728	67,198
Management fees	11	37,500	37,500
Office and miscellaneous		7,069	7,306
Professional fees		10,566	18,787
Regulatory and filing fees		8,011	7,699
Rent	11	11,000	10,000
Share-based payments	10	-	42,263
Travel and promotion		1,856	1,736
		137,252	229,775
Loss before other items		(137,252)	(229,775)
OTHER ITEMS			
Flow-through premium recognized	7	29,969	138,755
Interest income		525	10,965
		30,494	149,720
Loss for the period before income taxes		(106,758)	(80,055)
Deferred income tax expense		(3,280)	(89,460)
Net loss and comprehensive loss for the period		\$ (110,038)	\$ (169,515)
Basic and diluted loss per common share	8	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding		56,706,365	48,635,714

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

ATHABASCA URANIUM INC.

(An Exploration Stage Company)

Condensed Interim Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars - Unaudited)

Share Capital						
	Number of Shares	Amount	Reserves	Accumulated Deficit	Total	
Balance at August 31, 2011	46,706,365	\$ 8,522,859	\$ 722,907	\$ (1,522,810)	\$ 7,722,956	
Issuance for Volhoffer Lake property	2,500,000	500,000	-	-	500,000	
Share-based payments	-	-	42,263	-	42,263	
Premium on flow through shares	-	77,105	-	-	77,105	
Net loss for the period	-	-	-	(169,515)	(169,515)	
Balance at November 30, 2011	49,206,365	\$ 9,099,964	\$ 765,170	\$ (1,692,325)	\$ 8,172,809	
Issuance for McCarthy Lake property	3,000,000	600,000	-	-	600,000	
Issuance on private placement	4,500,000	636,000	-	-	636,000	
Share issuance costs	-	(41,408)	-	-	(41,408)	
Issuance costs for agents' warrants	-	(3,667)	3,667	-	-	
Share-based payments	-	-	100,716	-	100,716	
Premium on flow through shares	-	(173,105)	-	-	(173,105)	
Net loss for the period	-	-	-	(798,930)	(798,930)	
Balance at August 31, 2012	56,706,365	\$ 10,117,784	\$ 869,553	\$ (2,491,255)	\$ 8,496,082	
Net loss for the period	-	-	-	(110,038)	(110,038)	
Balance at November 30, 2012	56,706,365	\$ 10,117,784	\$ 869,553	\$ (2,601,293)	\$ 8,386,044	

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

ATHABASCA URANIUM INC.

(An Exploration Stage Company)

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars - Unaudited)

	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (110,038)	\$ (169,515)
Share-based payments	-	42,263
Deferred income tax expense	3,280	89,460
Flow-through premium recognized	(29,969)	(138,755)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	23,352	(96,863)
Decrease (increase) in prepaids	(94,639)	4,205
Increase (decrease) in accounts payable and accrued liabilities	5,231	(30,055)
Net cash used in operating activities	<u>(202,783)</u>	<u>(299,260)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	<u>(49,845)</u>	<u>(1,047,285)</u>
Net cash used in investing activities	<u>(49,845)</u>	<u>(1,047,285)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance on private placement, net of share issuance costs	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Change in cash and equivalents during the period	(252,628)	(1,346,545)
Cash and equivalents, beginning of period	<u>804,703</u>	<u>4,215,050</u>
Cash and equivalents, end of period	\$ 552,075	\$ 2,868,505

Cash and equivalents consist of:

	November 30, 2012	November 30, 2011
Cash on deposit	\$ 352,075	\$ 368,505
Guaranteed investment certificate	200,000	2,500,000
	<u>\$ 552,075</u>	<u>\$ 2,868,505</u>

Supplemental disclosure with respect to cash flows (Note 15)

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

ATHABASCA URANIUM INC.

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars - unaudited)

November 30, 2012

1. Nature and continuance of operations

The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007 and trades on the TSX Venture Exchange under the symbol 'UAX'. The principal offices of the Company are located at Suite 1200 - 570 Granville Street, Vancouver, BC V6C 3P1.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising of exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements. The current market conditions and volatility may cast significant doubt upon the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds.

The financial statements were authorized for issue on January 18, 2012 by the Board of Directors of the Company.

2. Statement of compliance and significant accounting policies

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Financial Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

Basis of presentation

The financial statements have been prepared using the same accounting policies and methods as those used in the audited financial statements for the year ended August 31, 2012, except for the impact of the adoption of the accounting standard described below. These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit and loss, which are stated at their fair value and are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2012.

ATHABASCA URANIUM INC.

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Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars - unaudited)

November 30, 2012

2. Statement of compliance and significant accounting policies

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the periods presented, comprehensive loss was the same as net loss.

Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the current period.

3. New standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of November 30, 2012 and have not been applied in preparing these financial statements. The Company is currently assessing the impact that these standards will have on the consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2013:

Amended standard IFRS 7 Financial Instruments: Disclosures

The amendment to IFRS 7 enhances the disclosure required when offsetting financial assets and liabilities.

New standard IFRS 10 Consolidated Financial Statements

IFRS 10 outlines the principles for the presentation and preparation of consolidated financial statements.

New standard IFRS 11 Joint Arrangements

IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement.

New standard IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 outlines the disclosures required in order to provide users of financial statements with the information necessary to evaluate an entity's interest in other entities, the corresponding risks related to those interests and the effects of those interests on the entity's financial position, financial performance and cash flows.

ATHABASCA URANIUM INC.

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Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars - unaudited)

November 30, 2012

3. New standards, amendments and interpretations not yet effective (cont'd)

Effective for annual periods beginning on or after January 1, 2013 (cont'd):

New standard IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, summarizes the methods of determining fair value and outlines the required fair value disclosures. IFRS 13 is utilized when another IFRS standard requires or allows fair value measurements or disclosures about fair value measurements.

Amended standard IAS 27 Separate Financial Statements

IAS 27 outlines the accounting principles to be applied with regards to investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate, nonconsolidated, financial statements. The previous standard was titled *IAS 27 Consolidated and Separate Financial Statements*.

Amended standard IAS 28 Investments in Associates and Joint Ventures

IAS 28 outlines the accounting treatment and corresponding application of the equity method of accounting in investments in associates and joint ventures. The previous standard was titled *IAS 28 Investments in Associates*.

Effective for annual periods beginning on or after January 1, 2014:

Amended standard IAS 32 Financial Instruments: Presentation

The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities.

Effective for annual periods beginning on or after January 1, 2015:

Amended standard IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 outlines the disclosures required when initially applying *IFRS 9 Financial Instruments*.

New standard IFRS 9 Financial Instruments

Partial replacement.

4. Receivables

	November 30, 2012	August 31, 2012
Interest receivable	\$ 1,683	\$ 1,085
HST receivable	15,246	39,196
	\$ 16,929	\$ 40,281

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5. Exploration and evaluation assets

The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests is in good standing. Ownership in exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from difficulties in obtaining conveyance in mineral interests.

The recoverability of the amount shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development, and future profitable production or disposition thereof.

The Company's exploration and evaluation assets consist of:

	McCarthy Lake	McGregor Lake	Keefe Lake	East Key Lake	Total
Balance, August 31, 2011	\$ 672,784	\$ 1,004,335	\$ 1,566,967	\$ 492,755	\$ 3,736,841
Interest in property	621,319	-	626,112	-	1,247,431
Assay	-	-	13,454	-	13,454
Consulting	2,173	2,173	333,614	1,391	339,351
Drilling	-	-	2,913,156	-	2,913,156
Geological	-	-	1,993	-	1,993
Total additions	623,492	2,173	3,888,329	1,391	4,515,385
Balance, August 31, 2012	1,296,276	1,006,508	5,455,296	494,146	8,252,226
Interest in property	-	-	-	-	-
Assay	-	-	2,369	-	2,369
Consulting	-	-	47,284	-	47,284
Drilling	-	-	-	-	-
Geological	-	-	192	-	192
Total additions	-	-	49,845	-	49,845
Balance, November 30, 2012	\$ 1,296,276	\$ 1,006,508	\$ 5,505,141	\$ 494,146	\$ 8,302,071

McCarthy Lake Project

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 14, 2012, the Company completed the acquisition of 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 Project. The Company purchased the remaining 50% interest in McCarthy Lake by paying \$20,000 in cash and issuing 3,000,000 common shares at a value of \$600,000 to the arm's-length vendor on Closing.

ATHABASCA URANIUM INC.

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Notes to Condensed Interim Financial Statements

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November 30, 2012

5. Exploration and evaluation assets (cont'd)

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

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Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars - unaudited)

November 30, 2012

5. Exploration and evaluation assets (cont'd)

Keefe Lake Project (cont'd)

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, comprised of two contiguous claims on the eastern margin of the Athabasca Basin. The Company paid consideration of \$555,000, 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 fully exercise the 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 additional cash payment of \$1,200,000 within five years. 1% of the 2% NSR may be purchased from the vendor by the Company for \$1,200,000.

Project Consolidation

As the Volhoffer Lake and Webb River Projects are contiguous with the Company's Keefe Lake Project, these three projects are considered to be one cash-generating unit, the Keefe Lake Project.

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 \$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.

6. Accounts payable and accrued liabilities

	November 30, 2012	August 31, 2012
Accounts payable	\$ 9,065	\$ 3,217
Accrued liabilities	29,383	30,000
	\$ 38,448	\$ 33,217

ATHABASCA URANIUM INC.

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Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars - unaudited)

November 30, 2012

7. Other liabilities

Other liabilities include the liability resulting from the premium received for flow-through shares issued. The following is the continuity schedule of this liability:

Flow-through Shares

	Issued on December 7, 2010	Issued on December 22, 2010	Issued on March 14, 2011	Issued on August 24, 2012	Total
Balance, August 31, 2011	\$ 87,081	\$ 40,461	\$ 170,844	\$ -	\$ 298,386
Liability incurred on flow-through shares issued	-	-	-	96,000	96,000
Settlement of flow-through share liability on incurring expenditures	(87,081)	(40,461)	(170,844)	(24,383)	(322,769)
Balance August 31, 2012	\$ -	\$ -	\$ -	\$ 71,617	\$ 71,617
Settlement of flow-through share liability on incurring expenditures	-	-	-	(29,969)	(29,969)
November 30, 2012	\$ -	\$ -	\$ -	\$ 41,648	\$ 41,648

On August 24, 2012, the Company completed a private placement, consisting of the issue and sale of 3,200,000 flow-through shares at a price of \$0.15 per flow-through share for aggregate gross proceeds of \$480,000.

8. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three months ended November 30, 2012 and 2011 was based on the loss attributable to common shareholders of \$nil and the weighted average number of common shares outstanding at November 30, 2012 of 56,706,365 (2011 – 48,635,714).

Diluted loss per share did not include the effect of 4,325,000 stock options and 2,981,103 warrants as the effect would be anti-dilutive.

9. 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 August 31, 2012 and November 30, 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 three months ended November 30, 2012. Reserves relates to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

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Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars - unaudited)

November 30, 2012

9. Share capital (cont'd)

Private placements

For the Three Month Period ended November 30, 2012

There were no share issuances during the three month period ended November 30, 2012.

For the Year Ended August 31, 2012

- i) 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.

The fair value of the finders' warrants, being \$3,667 was determined using the Black Scholes option pricing model weighted average assumptions with a volatility of 65.7%, average risk free interest rate of 1.15%, expected life of 1 year and a dividend rate of 0%.

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, 2012 and November 30, 2012, 1,200,000 common shares are held in escrow. The escrowed shares may not be transferred, assigned or otherwise dealt without the consent of the regulators.

Warrants

The warrants outstanding and transactions are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, August 31, 2011	23,952,366	\$ 0.38
Granted	939,389	0.24
Expired unexercised	(21,910,652)	(0.37)
Balance, August 31, 2012 and November 30, 2012	2,981,103	\$ 0.39

The share purchase warrants outstanding at August 31, 2012 and November 30, 2012 are as follows:

Number of Warrants	Exercise Price	Expiry Date
2,041,714	\$0.45	March 12, 2013
939,389	\$0.25	August 24, 2013
2,981,103		

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10. Share-based payments***Stock options***

The Company has adopted a “rolling” stock option plan (the “Plan”), pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company, less any outstanding stock options previously granted, will be reserved for issuance as options and will be granted at the discretion of the Board of Directors to eligible optionees under the Plan. While the Plan is in effect there can never be more than 10% of the Company’s issued and outstanding common shares reserved for issuance. Stock options granted vest at the discretion of the Board of Directors. The options can be granted for a maximum term of 5 years.

The stock options outstanding and transactions are as follows:

	Number of Options	Weighted Average Exercise Price
Balance August 31, 2011	3,325,000	0.23
Granted	1,200,000	0.19
Cancelled	(200,000)	(0.23)
Balance August 31, 2012 and November 30, 2012	4,325,000	\$ 0.22

The stock options outstanding and exercisable at August 31, 2012 and November 30, 2012 are as follows:

Number of Options – outstanding	Number of Options - exercisable	Exercise Price	Expiry Date
400,000	400,000	\$ 0.10	January 25, 2013
700,000	700,000	0.25	August 4, 2015
1,475,000	1,475,000	0.26	January 20, 2016
750,000	750,000	0.20	August 22, 2016
250,000	250,000	0.24	November 23, 2016
200,000	200,000	0.20	May 2, 2017
550,000	550,000	0.15	July 10, 2017
4,325,000	4,325,000		

Share-based payments

The total share-based payments recognized and expensed during the three months ended November 30, 2012 under the Black-Scholes option pricing model was \$nil (2011 - \$42,263).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the three months ended November 30, 2012 and 2011.

	2012	2011
Forfeitures	-	0%
Risk-free interest rate	-	1.18%
Expected life of options	-	5 years
Annualized volatility	-	189.48%
Dividend rate	-	0%

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11. Related party transactions

The Company entered into the following transactions with related parties:

	Three month periods ended	
	November 30, 2012	November 30, 2011
Management fees paid to a company controlled by the CEO	\$ 15,000	\$ 15,000
Management fees paid to a company controlled by the CFO	22,500	22,500
Consulting fees paid to officers of the company	-	7,200
Consulting fees paid to a company controlled by an officer of the company	4,500	-
Consulting fees paid to a director of the company	6,000	3,000
Consulting fees paid to an officer of the company which have been capitalized to exploration costs	-	1,600
Share-based payments to officers ⁽ⁱ⁾	-	-
Share-based payments to directors ⁽ⁱ⁾	-	-
	\$ 48,000	\$ 49,300

The remuneration of directors and key management personnel during the period ended November 30, 2012 and 2011 are as follows:

	2012	2011
Directors fees	\$ 6,000	\$ 3,000
Management fees	37,500	37,500
Share-based payments (i)	-	-
	\$ 43,500	\$ 40,500

⁽ⁱ⁾ Share-based payments are the fair value of options granted.

12. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended November 30, 2012. The Company is not subject to externally imposed capital requirements.

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13. Financial 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. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and equivalents are classified as Level 1.

As at November 30, 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.

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 accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of 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 a high quality financial institution. At November 30, 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 November 30, 2012, the Company had a cash balance of \$552,075 (August 31, 2012 - \$804,703) to settle accounts payable and accrued liabilities of \$38,448 (August 31, 2012 - \$33,217). 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.

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13. Financial risk management (cont'd)

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 November 30, 2012, the Company has \$200,000 (August 31, 2012 - \$200,000) 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.

14. Segment information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. The Company conducts all of its operations in Canada, and the Company's property is located in Canada.

15. Supplemental disclosure with respect to cash flows

	Three month periods ended	
	November 30, 2012	November 30, 2011
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

There were no significant non-cash transactions during the three months ended November 30, 2012.

The significant non-cash transactions during the three months ended November 30, 2011 were as follows:

- Issued 2,500,000 shares with a fair value of \$500,000 for the acquisition of an interest in exploration and evaluation assets.
- Included in exploration and evaluation assets is \$261,185 which is included in accounts payable and accrued liabilities.