

**ATHABASCA URANIUM INC.**

**INTERIM FINANCIAL STATEMENTS**  
(Unaudited – Prepared by Management)

**THREE MONTH PERIOD ENDED**  
**NOVEMBER 30, 2010**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the three month period ended November 30, 2010.

**ATHABASCA URANIUM INC.**  
**INTERIM BALANCE SHEETS**  
(Unaudited – Prepared by Management)

	November 30, 2010	August 31, 2010 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 253,523	\$ 474,629
Receivables	81,211	20,486
Prepays (Note 5)	<u>45,330</u>	<u>55,375</u>
	380,064	550,490
<b>Mineral properties</b> (Note 3)	<u>1,334,895</u>	<u>452,350</u>
	<u>\$ 1,714,959</u>	<u>\$ 1,002,840</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ <u>18,093</u>	\$ <u>10,000</u>
<b>Shareholders' equity</b>		
Capital stock (Note 4)	2,077,836	1,267,836
Share subscriptions received (Note 4)	16,264	-
Contributed surplus (Note 4)	251,731	251,731
Deficit	<u>(648,965)</u>	<u>(526,727)</u>
	<u>1,696,866</u>	<u>992,840</u>
	<u>\$ 1,714,959</u>	<u>\$ 1,002,840</u>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 10)

**On behalf of the Board:**

“Gil Schneider”

Director

“D. Barry Lee”

Director

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

**ATHABASCA URANIUM INC.**  
**STATEMENTS OF INTERIM OPERATIONS AND DEFICIT**  
(Unaudited – Prepared by Management)

	Three Months Ended November 30, 2010	Three Months Ended November 30, 2009
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Bank charges	\$ 210	\$ 25
Consulting (Note 5)	44,500	-
Office and miscellaneous	1,342	2,022
Rent	14,100	6,500
Professional fees	12,333	670
Management fees (Note 5)	15,000	-
Regulatory and filing fees	10,228	3,882
Investor relations	23,990	-
Travel and accommodation	<u>535</u>	<u>599</u>
<b>Loss for the period</b>	<u>(122,238)</u>	<u>(13,698)</u>
<b>Deficit, beginning of period</b>	<u>(526,727)</u>	<u>(174,315)</u>
<b>Deficit, end of period</b>	<u>\$ (648,965)</u>	<u>\$ (188,013)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
<b>Weighted average number of common shares outstanding</b>	<u>16,648,352</u>	<u>2,000,000</u>

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

**ATHABASCA URANIUM INC.**  
**STATEMENTS OF INTERIM CASH FLOWS**  
(Unaudited – Prepared by Management)

	Three Months Ended November 30, 2010	Three Months Ended November 30, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (122,238)	\$ (13,698)
Changes in non-cash working capital items:		
Increase in receivables	(60,725)	(91)
Decrease in prepaids	10,045	3,673
Increase in accounts payable and accrued liabilities	<u>8,093</u>	<u>2,531</u>
	(42,587)	6,113
Net cash used in operating activities	<u>(164,825)</u>	<u>(7,585)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mineral properties	<u>(72,545)</u>	<u>-</u>
Net cash used in investing activities	<u>(72,545)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share subscription received	<u>16,264</u>	<u>-</u>
Net cash provided by investing activities	<u>16,264</u>	<u>-</u>
<b>Change in cash during the period</b>	(221,106)	(7,585)
<b>Cash, beginning of period</b>	<u>474,629</u>	<u>125,729</u>
<b>Cash, end of period</b>	<u>\$ 253,523</u>	<u>\$ 118,144</u>

Supplemental disclosure with respect to cash flows (Note 6)

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

The financial statements contained herein include the accounts of Athabasca Uranium Inc. (the "Company").

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 (see Note 3) 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 in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support from related parties, to complete public equity financing, or to generate profitable operations in the future.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

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	November 30, 2010	August 31, 2010
Working capital	\$ 361,971	\$ 540,490
Deficit	(648,965)	(526,727)

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## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

These interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All amounts herein are expressed in Canadian dollars unless otherwise noted. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the Company's audited financial statements and the accompanying notes for the year ended August 31, 2010 except as discussed below. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Future accounting changes**

*Business combinations (Section 1582)*

In January 2009, the CICA issued Section 1582 “Business Combinations” to replace Section 1581. Prospective application of the standard is to be in effect January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not expect the adoption of this section to have a significant effect on its financial statements.

*Consolidated financial statements (Section 1601) and non-controlling interests (Section 1602)*

The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests” which replace Section 1600 “Consolidated Financial Statements.” Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 “Business Combinations.” The Company does not expect the adoption of this section to have a significant effect on its financial statements.

*International financial reporting standards ("IFRS")*

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

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management intends to continue to review new standards, as well as the impact of the existing accounting standards, between now and the conversion date to ensure all relevant changes are addressed. The Company is in the process of evaluating the potential effects of the requirements of these new standards.

**ATHABASCA URANIUM INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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NOVEMBER 30, 2010

**3. MINERAL PROPERTIES**

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in Canada.

The Company's mineral properties consist of:

	<b>McCarthy Lake</b>	<b>McGregor Lake</b>	<b>Webb River</b>	<b>Total</b>
Balance, August 31, 2009				
<b>Acquisition costs</b>				
Interest in property	\$ 300,000	\$ -	\$ -	\$ 300,000
Legal	29,309	-	-	29,309
Technical reports	5,496	-	-	5,496
Other	26,170	-	-	26,170
	<u>360,975</u>	<u>-</u>	<u>-</u>	<u>360,975</u>
<b>Exploration costs</b>				
Consulting	91,375	-	-	91,375
Balance, August 31, 2010	452,350	-	-	452,350
<b>Acquisition costs</b>				
Interest in property	-	400,000	470,000	870,000
<b>Exploration costs</b>				
Consulting	12,545	-	-	12,545
<b>Balance, November 30, 2010</b>	<b>\$ 464,895</b>	<b>\$ 400,000</b>	<b>\$ 470,000</b>	<b>\$ 1,334,895</b>

**McCarthy Lake Project**

As its Qualifying Transaction, the Company entered into a mineral property option agreement with Vorenius Metal Corp. ("Vorenius") dated June 4, 2010, pursuant to which the Company has an option (the "Option") to acquire a 50% interest in and to the prospective uranium property known as the McCarthy Lake Property located in the Athabasca basin region of northeast Saskatchewan (the "Property").

The Company paid consideration of \$300,000 to Vorenius, 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 Property within one year in order to satisfy the final condition to exercise the Option. The Property is subject to a 2.5% net smelter return ("NSR") royalty. The Company has the option to purchase 80% of the NSR royalty at any time for \$500,000.

**Webb River Project**

The Company entered into an agreement whereby it has an option to acquire the Webb River Property. The Company can earn 100% (subject to a 1% NSR) of the mineral rights to the Property by paying an initial \$50,000 and issuing 1,500,000 common shares to an arm's-length vendor and making additional payments totalling \$600,000 plus filing \$2,500,000 in exploration expenditures on the Property within four years. The 1% NSR may be purchased by the Company for \$1,500,000.

On September 23, 2010, the Company completed the first phase of exercising the Webb River option by making the initial \$50,000 cash payment and issuing the 1,500,000 common shares at a fair value of \$420,000, fulfilling its first commitment under the option agreement.



**ATHABASCA URANIUM INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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NOVEMBER 30, 2010

**3. MINERAL PROPERTIES (cont'd...)**

**McGregor Lake Project**

The Company entered into an agreement whereby it has an option to acquire the McGregor Lake Property. The Company can earn 100% (subject to a 1% NSR) of the mineral rights to the Property by paying an initial \$10,000 and issuing 1,500,000 common shares to an arm's-length vendor. Additional payments totalling \$800,000 within 42 months and filing \$3,000,000 in exploration expenditures on the Property are required within four years. The 1% NSR may be purchased from the Vendor by the Company for \$1,500,000.

On October 29, 2010, the Company completed the first phase of exercising the McGregor Lake option by making the initial \$10,000 cash payment and issuing the 1,500,000 common shares at a fair value of \$390,000, fulfilling its first commitment under the Option Agreement.

Subsequent to the quarter, the Company made an additional cash payment of \$50,000 towards the commitment of \$800,000.

**4. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized:			
Unlimited common shares without par value			
Unlimited preferred shares without par value			
Issued:			
Balance as at August 31, 2009	4,000,000	223,389	75,584
Issuance on private placement	9,000,000	900,000	-
Issuance for McCarthy Lake Property option (Note 3)	2,000,000	200,000	-
Share issuance costs	-	(55,553)	-
Issuance costs for agents' warrants	-	-	8,253
Stock-based compensation	-	-	167,894
Balance as at August 31, 2010	15,000,000	\$ 1,267,836	\$ 251,731
Issuance for Webb River project (Note 3)	1,500,000	420,000	-
Issuance for McGregor Lake project (Note 3)	1,500,000	390,000	-
<b>Balance as at November 30, 2010</b>	<b>18,000,000</b>	<b>\$ 2,077,836</b>	<b>\$ 251,731</b>

*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% will be released from escrow every six months thereafter.

As at August 31, 2010 and November 30, 2010, 3,600,000 common shares are held in escrow.

**4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Share subscriptions received**

The Company received share subscriptions of \$16,264 in advance of a private placement announced on December 7, 2010 for flow through units (the “FT Units”) at a price of \$0.23 per FT Unit and non-flow through units (the “NFT Units”) at a price of \$0.20 per NFT Unit. The private placement is described in Note 10.

Subsequent to the quarter, 70,713 FT Units were issued for share subscriptions received.

**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, 2009	400,000	\$ 0.10
Granted	<u>900,000</u>	<u>0.25</u>
Balance August 31, 2010 and November 30, 2010	<u>1,300,000</u>	<u>\$ 0.20</u>

As at November 30, 2010, 400,000 options exercisable at \$0.10 per share were outstanding which expire on January 25, 2013, and 900,000 options exercisable at \$0.25 per share were outstanding which expire on August 4, 2015. All options are currently exercisable.

**Warrants**

The warrants outstanding and transactions are as follows:

	Number of warrants	Weighted Average Exercise Price
Balance August 31, 2009	200,000	\$ 0.10
Expired	(200,000)	0.10
Granted	<u>4,925,000</u>	<u>0.20</u>
Balance August 31, 2010 and November 30, 2010	<u>4,925,000</u>	<u>\$ 0.20</u>

As at November 30, 2010, 4,925,000 warrants (including 425,000 agents’ warrants) exercisable at \$0.20 per share were outstanding and unexercised, which expire on July 7, 2011.

**5. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) The Company paid management fees of \$15,000 (2009 - \$nil) to a company controlled by an officer of the Company.
- b) The Company paid consulting fees of \$15,000 (2009 - \$nil) to a company controlled by a director of the Company.
- c) The Company paid consulting fees of \$4,500 (2009 - \$nil) to an officer of the Company.
- d) The Company paid \$6,600 (2009 - \$nil) for rent to a company with common directors.

At November 30, 2010, the Company paid consulting fees of \$12,545 (August 31, 2010 - \$88,375) which were capitalized to exploration costs and prepaid exploration costs of \$42,830 (August 31, 2010 - \$55,375) and a receivable of \$50,000 (August 31, 2010 - \$nil) to a company with common directors.

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.

**6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	Three Months Ended November 30, 2010	Three Months Ended November 30, 2009
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

The significant non-cash transactions during the three months ended November 30, 2010 were as follows:

- 1) Issued 3,000,000 shares with a fair value of \$810,000 for the acquisition of an interest in a mineral property.

There were no significant non-cash transactions during the three months ended November 30, 2009.

**7. 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.

## **8. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. 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. In the management of capital, the Company includes cash balances and components of shareholders' equity.

The Company does not have any externally or internally imposed capital requirements. The Company is currently dependent upon external financing to fund activities. In order to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

Management regularly reviews its capital management approach 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 month period ending November 30, 2010. The Company is not subject to externally imposed capital requirements.

## **9. FINANCIAL INSTRUMENTS**

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

### *Credit risk*

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

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2010, the Company had a cash balance of \$253,523 (August 31, 2010 - \$474,629) to settle current liabilities of \$18,093 (August 31, 2010 - \$10,000). All of the Company's financial liabilities have contracted maturities of less than 30 days and are subject to normal trade terms. The Company expects to fund these and future liabilities through use of the Company's cash balance and the issuance of capital stock.

### *Market risk*

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

#### a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of November 30, 2010, the Company did not have any investments 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.

**9. FINANCIAL INSTRUMENTS (cont'd...)**

*Market risk (cont'd...)*

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.

**10. SUBSEQUENT EVENTS**

Subsequent to the quarter:

- i) The Company had previously announced a private placement offering in the capital of the Company for gross proceeds of up to \$2,200,000. Subsequently, on December 7, 2010, the Company announced a private placement offering in the capital of the Company for gross proceeds of up to \$3,100,000, and the closing of a first tranche of \$1,489,800 under the terms of the Offering. The Offering is comprised of up to 7,826,087 flow through units (the "FT Units") at a price of \$0.23 per FT Unit and up to 6,500,000 non-flow through units (the "NFT Units") at a price of \$0.20 per NFT Unit for aggregate gross proceeds of up to \$3,100,000. Each FT Unit will consist of one common share in the capital of the Company which will be designated as a flow-through share pursuant to the Income Tax Act (Canada) and one share purchase warrant (a "FT Warrant"). Each FT Warrant will entitle the holder to purchase one common share in the capital of the Company at a price of \$0.35 per share for a period of one year from the closing of the Offering. Each NFT Unit will consist of one common share and one share purchase warrant (a "NFT Warrant"). Each NFT Warrant will entitle the holder to purchase one common share at a price of \$0.30 per share for a period of one year from the closing of the Offering. In connection with closing the first tranche of the Offering, the Company issued 6,477,391 FT Units in the capital of the Company to subscribers to the Offering for gross proceeds of \$1,489,800.

Additionally, the Company paid various arm's-length parties cash in the aggregate amount of \$76,536 and issued warrants to purchase an aggregate 615,130 common shares as commissions for their parts in the placement of the first tranche of the Offering. All securities issued in the closing of the first tranche are subject to a hold period which expires April 7, 2011.

- ii) The Company completed the second and final tranche of its previously-announced \$3.1 Million private placement Offering, consisting of 1,348,695 FT Units and 6,500,000 NFT Units for aggregate gross proceeds of \$1,610,200. Each FT Warrant issued entitles the holder to purchase one common share at a price of \$0.35 per share until December 22, 2011 and each NFT Warrant entitles the holder to purchase one common share at a price of \$0.30 per share until December 22, 2011. The Company will renounce an amount equal to the gross proceeds derived from the sale of the FT Units to the purchasers thereof in accordance with the provisions of the Income Tax Act (Canada).

In connection with the closing of the second tranche, the Company paid certain finders an aggregate cash commission of \$89,954 and issued 525,870 finder's compensation warrants entitling finders to purchase a common share at an exercise price of \$0.30 per share until December 22, 2011. All securities issued in the closing of the second tranche will be subject to a hold period which expires April 23, 2011.