



**FOR THE THIRTEEN MONTHS ENDED  
DECEMBER 31, 2014**



## Management’s Discussion and Analysis

**For the Thirteen Months Ended December 31, 2014**

### TABLE OF CONTENTS

<b>FORWARD LOOKING INFORMATION .....</b>	<b>2</b>
2014 HIGHLIGHTS .....	3
Aggregate Operations .....	3
Firebag Silica Sand Project Development .....	3
OVERVIEW OF THE BUSINESS.....	3
<b>KEY FINANCIAL AND OPERATIONAL RESULTS.....</b>	<b>4</b>
<b>REVIEW OF FINANCIAL AND OPERATIONAL RESULTS.....</b>	<b>5</b>
Revenue .....	5
EBITDA .....	5
Fourth Quarter.....	5
Annual .....	5
Net Income (Loss).....	6
Cash Flow Highlights.....	6
Change in Net Income.....	7
Operational Results – Corporate Pits .....	7
Operational Results – Susan Lake Public Pit .....	7
<b>SUMMARY OF QUARTERLY RESULTS.....</b>	<b>8</b>
<b>SELECTED ANNUAL INFORMATION .....</b>	<b>9</b>
<b>OUTLOOK .....</b>	<b>9</b>
Susan Lake Pit .....	9
Corporate Pits .....	10
Exploration and Development Projects .....	10
Firebag Silica Sand Project .....	10
Richardson project .....	11
<b>DISCUSSION OF OPERATIONS.....</b>	<b>11</b>
Management of Existing Aggregate Operations .....	11
“Public pits” - Management of aggregate operations on behalf of public or privately held interests .....	11
<b>DISCUSSION OF OPERATIONS.....</b>	<b>12</b>
Management of Existing Aggregate Operations .....	12
Susan Lake .....	12
“Corporate pit” – Produce and sell aggregate product directly to customers .....	12
Kearl Pit.....	12
KM248 Pit.....	13
Logan Pit .....	13
Cowper Pit.....	13
Exploration and other Development Projects .....	13
Birch Mountain Project (Silica Sand) .....	14
Joint Venture Agreement with Wood Buffalo Métis Corporation.....	14
Boyle Project (Salt).....	14
Dover Project (Salt) .....	14
Sand and Gravel Properties .....	14
Mineral Permits .....	15
Mineral Leases.....	16
<b>RISKS AND UNCERTAINTIES.....</b>	<b>16</b>

<b>LIQUIDITY AND CAPITAL RESOURCES</b> .....	<b>17</b>
Available Credit Facilities .....	18
Commitments .....	19
Capital Resources .....	19
<b>OFF BALANCE SHEET ARRANGEMENTS</b> .....	<b>20</b>
<b>RELATED PARTY TRANSACTIONS</b> .....	<b>20</b>
Compensation of Key Management .....	21
<b>CHANGE IN ACCOUNTING POLICIES</b> .....	<b>21</b>
<i>Accounting Changes</i> .....	21
<i>Scope of the reporting entity</i> .....	21
<i>Stripping costs in the production phase of a surface mine</i> .....	21
<i>Joint arrangements</i> .....	21
<i>Fair value measurement</i> .....	21
<i>Financial Instruments classification and measurement</i> .....	22
<i>Revenue recognition</i> .....	22
<i>Property, plant and equipment and intangible assets</i> .....	22
<b>FINANCIAL INSTRUMENTS</b> .....	<b>22</b>
a) Fair Value.....	22
b) Credit Risk.....	23
c) Liquidity Risk .....	23
d) Foreign Currency Risk.....	24
e) Interest Rate Risk.....	24
<b>NON-GAAP MEASURES</b> .....	<b>24</b>
<b>APPROVAL</b> .....	<b>25</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the Thirteen Months Ended December 31, 2014

*This Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Athabasca Minerals Inc. ("Athabasca" or the "Corporation"). The purpose of this document is also to help the reader understand the anticipated future performance of the Corporation.*

*The Corporation has changed its financial year-end from November 30<sup>th</sup> to December 31<sup>st</sup>. With this fiscal year-end change, the Corporation will report a one-time, transitional thirteen month financial year ending December 31, 2014, and these will be compared to the financial statements for the twelve months ended November 30, 2013. This change in the financial year-end from November 30<sup>th</sup> to December 31<sup>st</sup> is being made by the Corporation to better align Athabasca's financial reporting calendar with its industry peers.*

*This MD&A has been prepared as of March 31, 2015 and is intended to supplement and complement the Corporation's audited annual consolidated financial statements for the thirteen months ended December 31, 2014 (with comparative results for the twelve months ended November 30, 2013).*

*All amounts have been expressed in Canadian dollars (except where noted), and have been prepared in accordance with International Financial Reporting Standards ("IFRS") (except where noted). Additional information about Athabasca may be found at the Corporation's website at [www.athabascaminerals.com](http://www.athabascaminerals.com) or within the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).*

*Management is responsible for the preparation of this MD&A, together with the financial statements referred to in this MD&A, and provides officers' disclosure certifications, which are also filed on SEDAR.*

*Readers are cautioned that this MD&A contains forward looking statements and that actual events may vary from management's expectations. The forward looking information should be read in conjunction with the risk factors described in "Financial Instruments", "Risks and Uncertainties" and "Forward Looking Information" at the end of this MD&A.*

## FORWARD LOOKING INFORMATION

This document contains “forward looking statements” concerning anticipated developments and events that may occur in the future. Forward looking statements include, but are not limited to, statements with respect to the future price of commodities, the estimation of aggregate and mineral reserves and resources, the realization of aggregate and mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

Specifically, such forward-looking statements are set forth under “Liquidity and Capital Resources”, “Financial Instruments”, “Risks and Uncertainties” and “Outlook”. In certain cases, forward looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, 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”.

Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements in the section entitled “Risks and Uncertainties”, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements. These forward looking statements are made as of the date of this document and, other than as required by applicable securities laws, the Corporation assumes no obligation to update or revise them to reflect new events or circumstances.

**2014 HIGHLIGHTS***Aggregate Operations*

- Revenue, net of royalties at Susan Lake, was \$26.3 million for 2014; up 4% over 2013.
- EBITDA for the current year (thirteen months) improved significantly as the year progressed due to improved sales volumes and improved production costs. Annual EBITDA of \$3.5 million consisted of \$5.1 million from June to December 2014 and \$(1.6) million from December 2013 to May 2014.
- Management entered into a Joint Venture Agreement with Wood Buffalo Métis Corporation to explore, develop, and produce aggregates for ten years.
- Completed a private placement with net proceeds of \$5.3 million.

*Firebag Silica Sand Project Development*

- Completed the National Instrument 43-101 report.
- Began the detailed engineering work on the development for the Lynton siding and plant design
- The project received approval for the surface material lease and the right to work and remove sand from Phase One from Alberta Environmental and Sustainable Resource Development (ESRD)
- Continuing progress on the preliminary economic assessment report released in mid-March 2015.

**OVERVIEW OF THE BUSINESS**

Athabasca Minerals Inc. is a management and exploration company specializing in developing, producing, and exploring for aggregates and industrial minerals in Alberta. The business strategy of the Corporation includes both the continued management of existing aggregate operations (both public pits and corporate-owned pits) and the exploration and development (or acquisition of) other aggregate resources and industrial minerals.

Athabasca has been in existence since 2006. During that time, the Corporation has become the largest operator of a government public pit in Canada and continues to increase its strategic land holding position to grow the business for corporate owned producing pits. The focus for the Corporation is for continued sales growth while becoming a low cost producer of industrial aggregate. Canada's oil reserves which are primarily situated near the Fort McMurray area in Northern Alberta. The construction necessary to develop these reserves requires an abundance of aggregates for new and existing oil sands projects and regional infrastructure. Much of the Corporation's aggregate supply and industrial minerals are strategically situated nearby the expected demand for these resources.

The supply of aggregates will lie at the very foundation of Athabasca's future economic growth. With a focus on the strategic supply of aggregates and the goal to provide key industrial minerals in support of oil sands development, management believes the Corporation is well positioned now and into the future.

**KEY FINANCIAL AND OPERATIONAL RESULTS**

\$ thousands of Canadian dollars, unless otherwise noted	Four months ended Dec. 31, 2014	Three months ended Nov. 30, 2013	Change (%)	Thirteen months ended December 31, 2014	Twelve months ended November 30, 2013	Change (%)
<b>FINANCIAL HIGHLIGHTS:</b>						
Susan Lake management fee revenue	\$ 4,559	\$ 4,038	12.9%	\$ 12,041	\$ 14,573	-17.4%
Susan Lake royalty expense	(1,276)	(1,154)	10.6%	(3,332)	(4,153)	-19.8%
Corporate pits sales revenue	6,396	3,759	70.2%	17,623	14,944	17.9%
Revenue	\$ 9,679	\$ 6,643	45.7%	\$ 26,332	\$ 25,364	3.8%
Gross Profit (Note 2)	\$ 3,105	\$ 2,453	26.6%	\$ 6,287	\$ 7,954	-21.0%
EBITDA (Note 1 and 2)	\$ 1,563	\$ 2,000	-21.9%	\$ 3,523	\$ 6,812	-48.3%
Operating Earnings	\$ 538	\$ 1,182	-54.5%	\$ 214	\$ 3,930	-94.6%
Net Income / (loss)	\$ 12	\$ 390	-96.9%	\$ (831)	\$ 1,922	-143.2%
Net Income / (loss) per share, basic (\$ per share)	\$ -	\$ 0.014	-100.0%	\$ (0.026)	\$ 0.068	-138.2%
<b>CASH FLOW HIGHLIGHTS:</b>						
Cash from operating activities, before working capital	\$ 2,202	\$ 573	284.3%	\$ 4,724	\$ 5,374	-12.1%
Spending on property and equipment	\$ (84)	\$ (793)	-89.4%	\$ (1,044)	\$ (1,872)	-44.2%
Spending on resource properties	\$ (82)	\$ (85)	-3.5%	\$ (1,786)	\$ (825)	116.5%
<b>OPERATIONAL HIGHLIGHTS:</b>						
<b>Corporate Pits</b>						
Tonnes Sold	218,195	136,993	59.3%	571,493	555,090	3.0%
Revenue/Tonne Sold (\$/MT)	\$ 29.32	\$ 32.19	-8.9%	\$ 30.84	\$ 26.92	14.6%
<b>Susan Lake Operations</b>						
Tonnes Sold	2,795,621	2,567,308	8.9%	7,513,987	9,356,291	-19.7%
Revenue (net of royalties) /Tonne Sold (\$/MT)	\$ 1.17	\$ 1.12	4.5%	\$ 1.16	\$ 1.11	4.5%

**Footnotes:**

Note 1 – For additional information, please refer to the Non-GAAP measures section.

Note 2 – Gross Profit includes depreciation and amortization expense, which is not included in EBITDA. In Q4-2014, depreciation and amortization expense amounts to \$0.7 million (2013 - \$0.6 million) and for the thirteen months ended December 31, 2014, this amounts to \$2.4 million (2013 – \$2.0 million).

## REVIEW OF FINANCIAL AND OPERATIONAL RESULTS

### Revenue

Athabasca's revenue for the thirteen months ended December 31, 2014 is 4% higher than the twelve months ended November 30, 2013. Revenue at the corporate pits increased 18% as management continues to increase its focus on corporate pit operations. In 2014, Athabasca successfully increased sales price from \$26.92/tonne to \$30.84/tonne by increasing focus on marketing the Corporation's aggregate products.

Management fee revenue at Susan Lake (net of government of Alberta royalties) is down 17% due to a 20% decrease in volumes, partially offset by a pricing increase. The volume decrease is due to poor weather in the first half of the year, which pushed demand for aggregate into the latter half of the year. Demand in the latter part of the year was then impacted by the drop in oil prices, meaning that some of demand from oil sand projects has been deferred.

Revenue for the four months ended December 31, 2014 is 46% higher than the three months ended November 30, 2013 due primarily to significant volume increases at both corporate pits (59%) and the Susan Lake public pit (9%). This is partially offset by a 9% reduction in pricing per tonne sold at the corporate pits due primarily to the sales mix during the comparable period.

### EBITDA

For additional information on how EBITDA is calculated, please refer to the Non-GAAP measures section.

### Fourth Quarter

EBITDA for the fourth quarter of 2014 of \$1.6 million is 22% lower than EBITDA for the fourth quarter of 2013. Improved gross profit at the mining operations was offset by increased general and administrative expenses for a four month quarter and increased share based compensation expense in the quarter.

### Annual

EBITDA for the thirteen months ended December 31, 2014 is down \$3.3 million (or 48%) from the prior year.

The Corporation's EBITDA was positively impacted by improved gross profit at the Corporate pits where a significant improvement in revenues and cost saving initiatives implemented throughout the year have improved the gross profit per tonne. The improvement in operating costs at the corporate pits is particularly noticeable when reviewing EBITDA by period within 2014.

<b>Annual 2014 EBITDA</b>	<b>Second Half 2014 (June to December)</b>	<b>First Half 2014 (December to May)</b>
(in thousands of Canadian dollars)		
\$3,523	\$5,077	(\$1,554)

This significant improvement is due to having put in place several new cost initiatives in the second half of the year. Operational focus on key performance indicators (KPI's), labour allocations and targeted cost control in association with the development of a new pit, (KM248) resulted in significant improvements.



**REVIEW OF FINANCIAL AND OPERATIONAL RESULTS** (continued)EBITDA (continued)

EBITDA at Athabasca was negatively impacted by a decrease in gross profit of \$1.7 million as Susan Lake sales volumes were down 20% with operating costs 2% higher than the prior year. The higher costs are the result of the continuation of clearing land and stripping topsoil, opening up aggregate resources for future demand.

Increased general and administrative expenses negatively impacted EBITDA by \$1.1 million in part to the current fiscal year having thirteen months and the prior fiscal year having twelve months, as well as costs spent on an acquisition project that did not materialize, cost increases for wages and employee benefits and other head office related cost increases.

Share-based compensation expense negatively impacted EBITDA by \$0.9 million, which is a non-cash expense related to the amortization of the fair value cost of options during their vesting period.

Net Income (Loss)

Net loss of \$(0.8) million for the thirteen months ended December 31, 2014 is \$2.8 million lower than the twelve months ended November 30, 2013. The main reason for the decrease is the \$3.3 million decrease in EBITDA as described above. Net loss was positively impacted by the reduced loss on the land use agreement receivable that was \$0.3 million lower than 2013, and income tax expense that was \$0.7 million lower than 2013 due to reduced taxable income. This was partially offset by the negative impact of higher depreciation and amortization of \$0.4 million due primarily to having an extra month in the year ended December 31, 2014, as well as a lower recovery on intangible assets and loss on property and equipment of \$0.3 million.

A small net income for the fourth quarter of 2014 was \$0.4 million lower than the fourth quarter of 2013. The decrease is due primarily to increased depreciation and amortization resulting from the four month quarter as compared to the three month quarter in 2013 and the acquisition expenses for the acquisition that was not completed.

Net loss per share for the thirteen months ended December 31, 2014 of \$(0.026) per share is down \$0.094 per share from 2013 as a result.

Cash Flow Highlights

Cash provided by operating activities (before working capital changes) for Athabasca of \$4.7 million in the thirteen months ended December 31, 2014. This is down \$0.6 million (or 12%) from the prior year. Lower EBITDA of \$3.3 million was mostly offset by reduced cash spent on income taxes of \$1.8 million and the increase in share based compensation expense of \$0.7 million, which is a non-cash charge.

Cash provided by operating activities (before working capital changes) in the fourth quarter of 2014 of \$2.2 million is \$1.6 million higher than the fourth quarter of 2013 despite lower net income for the quarter due primarily to the timing of income tax payments in 2013 as well as the impact of the non-cash share based compensation expense.

Athabasca's spending on property and equipment in 2014 of \$1.0 million is \$0.9 million (or 44%) lower than 2013. This is because the majority of the required production equipment being in place at the end of 2013.

Athabasca's spending on resource properties in 2014 of \$1.8 million is \$1.0 million (or 116%) higher than 2013. The increase is primarily due to spending on the Firebag and Richardson project to advance each of the projects.

**REVIEW OF FINANCIAL AND OPERATIONAL RESULTS (continued)**Change in Net Income

\$ thousands of Canadian dollars	<b>Thirteen months ended December 31, 2014</b>	
<b>Net income, twelve months ended November 30, 2013</b>	<b>\$</b>	<b>1,922</b>
<b>Impact of operational changes in 2014:</b>		
Improvement in Corporate Pit gross profit		1,061
Decline in Susan Lake gross profit		(2,728)
Increase in depreciation and amortization expense		(427)
Increase in general and administrative expenses		(1,121)
<b>Impact of non-operational items in 2014:</b>		
Increase in share-based compensation expense		(856)
Decrease in income tax expense		696
Decrease in write-down of resource properties		264
Decrease in loss on land use agreement receivable		339
Other items		19
<b>Net (loss) income, thirteen months ended December 31, 2014</b>	<b>\$</b>	<b>(831)</b>

Operational Results – Corporate Pits

Athabasca managed to increase aggregate sales volumes slightly in 2014 to 571 thousand metric tonnes. Athabasca reduced production volumes in 2014 from 965 thousand metric tonnes to 639 thousand metric tonnes in order to manage inventory volumes at the pits leaving inventory volumes at December 31, 2014 that positions the Corporation to generate significant cash flows in 2015.

In the latter half of 2014, Athabasca management implemented several cost improvement strategies which enabled the Corporation to produce gravel at a lower operating cost. By optimizing production levels at the crusher, labour requirements were reduced and associated equipment hours were minimized reducing maintenance and operational costs to ensure a higher margin product going forward. The entire inventory at KM248 pit was produced at the lower operating cost. With over \$1.3 million in KM248 pit inventory, management expects an increase in associated margin with 2015 sales.

Operational Results – Susan Lake Public Pit

Susan Lake sales volumes in 2014 of 7.5 million tonnes were 20% lower than 2013. Demand levels were impacted by poor weather in the first half of the year and the impact of dropping oil prices in the last quarter of the year. Management maintained operations at historical levels, while continuing to clear land and strip topsoil which should enable the Corporation to maximize sales volumes from now until the end of the current contract in 2017.

**SUMMARY OF QUARTERLY RESULTS**

	<b>4 months</b>			
	<b>Q4-2014</b>	<b>Q3-2014</b>	<b>Q2-2014</b>	<b>Q1-2014</b>
Susan Lake management fee revenue	\$ 4,559	\$ 4,547	\$ 2,156	\$ 779
Susan Lake royalties	(1,276)	(1,202)	(630)	(224)
Corporate Pit Revenue	6,396	6,120	2,117	2,990
<b>Total Revenue</b>	<b>\$ 9,679</b>	<b>\$ 9,465</b>	<b>\$ 3,643</b>	<b>\$ 3,545</b>
Gross Profit	\$ 3,105	\$ 4,421	\$ 273	\$ (1,512)
Net income (loss)	\$ 12	\$ 1,606	\$ (539)	\$ (1,910)
Net income (loss), per share, basic	\$ -	\$ 0.049	\$ (0.017)	\$ (0.063)
Net income (loss), per share, diluted	\$ -	\$ 0.047	\$ (0.017)	\$ (0.063)
Total assets	\$ 39,877	\$ 41,260	\$ 39,448	\$ 38,965
Total resource properties	\$ 7,281	\$ 6,917	\$ 6,680	\$ 6,416
Total debt (non-current)	\$ 2,494	\$ 3,772	\$ 4,363	\$ 4,949
	<b>Q4-2013</b>	<b>Q3-2013</b>	<b>Q2-2013</b>	<b>Q1-2013</b>
Susan Lake management fee revenue	\$ 4,038	\$ 5,083	\$ 3,407	\$ 2,045
Susan Lake royalties	(1,154)	(1,463)	(980)	(556)
Corporate Pit Revenue	3,759	1,991	3,887	5,307
<b>Total Revenue</b>	<b>\$ 6,643</b>	<b>\$ 5,611</b>	<b>\$ 6,314</b>	<b>\$ 6,796</b>
Gross Profit	\$ 2,250	\$ 2,385	\$ 2,446	\$ 873
Net income (loss)	\$ 390	\$ 1,059	\$ 847	\$ (374)
Net income (loss), per share, basic	\$ 0.014	\$ 0.038	\$ 0.030	\$ (0.013)
Net income (loss), per share, diluted	\$ 0.013	\$ 0.037	\$ 0.029	\$ (0.013)
Total assets	\$ 35,719	\$ 35,497	\$ 35,678	\$ 36,851
Total resource properties	\$ 5,821	\$ 6,328	\$ 6,229	\$ 6,086
Total debt (non-current)	\$ 5,533	\$ 5,440	\$ 5,979	\$ 6,515

The Corporation derives revenues from managing the supply of, and from the production of, various types of aggregates in Northern Alberta. All operations are dependent on the ability to remove gravel from its gravel pits, which can often be hampered by the cold, by rain, or by melting weather conditions. Most construction projects and oil sands projects, to which the Corporation supplies aggregate, typically start up and focus on their busiest time of year later in the summer and fall when ground conditions improve and are typically drier. As a result, there is a seasonal nature to operations, with winter and spring traditionally being the slowest time for the Corporation. This can be seen in fluctuations in revenue and net income in the table above.

The Corporation has actively been working on minimizing the effects of seasonality. Operations labour was reduced, overtime control measures enacted, and product was forwarded out of winter access only locations to provide year round supply. The Corporation is situated well to support sales from existing inventory piles while minimizing corresponding cost impacts.

**SELECTED ANNUAL INFORMATION**

	<u>2014 Annual</u>	<u>2013 Annual</u>	<u>2012 Annual</u>
Susan Lake management fee revenue	\$ 12,041	\$ 14,573	\$ 16,542
Susan Lake royalties	(3,332)	(4,153)	(4,859)
Corporate Pit Revenue	17,623	14,944	3,069
Total Revenue	\$ 26,332	\$ 25,364	\$ 14,752
Gross Profit	\$ 6,287	\$ 7,954	\$ 9,807
Net income (loss)	\$ (831)	\$ 1,922	\$ 4,710
Net income (loss), per share, basic	\$ (0.026)	\$ 0.068	\$ 0.171
Net income (loss), per share, diluted	\$ (0.026)	\$ 0.067	\$ 0.170
Total assets	\$ 39,877	\$ 35,719	\$ 33,278
Total resource properties	\$ 7,281	\$ 5,821	\$ 5,896
Total debt (non-current)	\$ 2,494	\$ 5,533	\$ 7,049

**Susan Lake management fee revenue** – Volumes sold at Susan Lake have decreased over the last three years due to changes in demand, which has resulted in lower revenues.

**Corporate Pit revenue** – Recognizing that Susan Lake volumes were decreasing, management has significantly increased the focus on other aggregate operations resulting in significant improvements in Corporate Pit revenues over the last three years. The increases are comprised of both volume and price gains.

**Net income (loss)** – The decrease in management fee revenues at Susan Lake has been the biggest contributor to the decrease in net income over the last three years. Profitability at the Corporate pits is now starting to improve in the latter half of 2014.

**Total assets** – Total assets have increased over the last three years, due primarily to increases in inventory levels.

**Total resource properties** - Total resource properties have consistently increased over the last three years due to continued investment in future exploration and development projects. The majority of investment is for the Firebag, Richardson, and Birch Mountain projects.

**Total debt (non-current)** - Athabasca debt balances have decreased consistently over the last three years due to consistent payments made on the loan and lease balances. Under the terms of the existing bank loan, the bank during has the right to call the loan at any time. As a result, management has reclassified the entire loan as current debt. No new leases or loans were entered into in 2014.

**OUTLOOK**

Management provides guidance on sales volumes and development projects. All forward looking statements are management's best information at the time, but must be considered in light of the forward looking statement guidance at the end of this document.

Susan Lake Pit

With the uncertainty in the region due to the drop in oil prices, sales from Susan Lake in 2015 have been forecasted for 6.5 million tonnes. While recognizing that the potential impact of lower oil prices could be significant, management believes that this projected tonnage is still appropriate and conservative, as it would be comparable to the lowest annual sales volume recorded at Susan Lake since Athabasca started to manage the operation.

**OUTLOOK (continued)**Corporate Pits

The Corporation is well positioned from a resource and equipment base to increase production tonnes based on the successful award of contracts and overall demand in the target areas. Management continues to focus on further developing existing relationships with the major oil sands and SAGD operators, including continued analysis and exploration of new aggregate deposits.

Sales guidance for 2015 at the Corporate pits is 0.5 million tonnes. Management continues to strive for production optimization levels and tighter cost controls as it prepares for the heavy demand aggregate season. Strategic inventory was established in 2014 in core areas which will allow management to quickly react to any sudden demand changes as the economy changes.

Capital spending in 2015 for the existing gravel operations is anticipated to be lower than previous years as the existing infrastructure allows management to meet the forecasted product demands.

**Exploration and Development Projects**

Diversification and continued growth in our resource base will continue to be a focus of the management group to ensure adequate future resources are available to meet aggregate demands.

Firebag Silica Sand Project

The Corporation's silica sand deposit, "Firebag" is located 139 km north of Fort McMurray and, is accessible via Highway 63. The planned operation is for the production of industrial proppant for use in the fracking industry.

During August 2014 the Corporation received approval from the Alberta Government for its surface material lease (SML) application for an 80 acre SML for the development of a silica sand mining operation, which is the first phase of development of an overall 500 acre project. The 43-101 report was completed.

A significant amount of testing was conducted on the Firebag sand to verify the consistency of the silica sand at various depths within the Firebag deposit, independent testing by both Stim Lab and Proptester confirm a high quality product with crush strength meeting or exceeding API and ISO standards for frac sand. These results were released in March 2015. An independent quality testing, mining permit and PEA confirm that the Corporation's Firebag Project has considerable potential for development as a frac sand resource. The NorWest PEA confirms the potential for a large, highly economical deposit with high margin, rapid payback and 25 years of open pit mining with a Net Present Value (NPV) of \$368 million and an Internal Rate of Return (IRR) of 68% pretax.

Advancements on the trans-loading sites and detailed engineering are underway. Athabasca has been in active discussions with a major railway company and the Regional Municipality of Wood Buffalo in developing a private switch and trans-loading facility in Fort McMurray.

The Corporation's second phase of development includes plans to develop a larger adjacent 420 acre SML for which applications have been submitted. Surrounding Athabasca's proposed silica sand development project on the two SML development applications, the Corporation holds 100% rights to seven Industrial and Metallic mineral leases covering 12,800 hectares (31,629 acres) in the Fort McMurray region of northeast Alberta.

Resources have been allocated to advance the engineering surrounding the final plant design, complete permitting at both trans-loading sites and evaluate procurement opportunities on longer lead time items. The majority of capital spending in 2015 will be in relation to the Firebag project. Approximately \$80 million of capital expenditures was identified in the NorWest report to bring Firebag into production.

## **OUTLOOK (continued)**

### **Exploration and Development Projects (continued)**

#### *Firebag Silica Sand project (continued)*

Management is actively looking at cost saving opportunities, to reduce the initial capital estimates. The Corporation is looking at several options surrounding financing of the Firebag project including JV's, take or pay contracts, a portion of debt and equity and alternative financing options. Management has been able to fund the development of this project life to date from its existing cash flow.

Athabasca is committed to becoming a major domestic supplier of high quality industrial proppant for use in the fracking industry as it actively pursue the development of its Firebag Silica Sand project.

#### *Richardson project*

This potential quarry is located approximately 70 km north of the Susan Lake Gravel pit and 130km north of Fort McMurray. It contains high quality dolomite and granite. During fiscal 2012, the Corporation identified a granite outcrop at the Richardson Project that is accessible by winter road. During Q1 2013, initial drilling in this area was performed and in-house testing of samples was conducted. The drilling program encountered granite and dolomite, confirming that granite extends beyond the granite outcrop.

In March 2014, the Corporation announced the completion of a winter drilling program at the Richardson Project. All holes successfully cored the dolomite and all but one intersected the granite basement rocks. Detailed core logging and sampling has been completed at Athabasca's Edmonton facility. Samples were then tested at a major independent testing lab in Calgary and were found suitable as aggregate for use in concrete, asphalt and road base.

The Corporation continues to investigate the opportunities surrounding the Richardson deposit. Management estimates that the 60,000 hectare potential quarry contains millions of tonnes of dolomite and granite sufficient to fully support aggregate demands of the oil sands industry for many decades. The Corporation completed test drilling and coring in late 2013 and 2014 and is working towards a National Instrument 43-101 resource report on the project.

Management is focused on the completion of the NI 43-101 report surrounding the Richardson deposit. Upon completion of Apex GeoScience evaluation and confirmation of the resource base, the corporation will evaluate the next steps of this project.

Initial timing suggests a post 2019 time frame for active development.

## **DISCUSSION OF OPERATIONS**

### **Management of Existing Aggregate Operations**

#### **“Public pits” - Management of aggregate operations on behalf of public or privately held interests**

The Corporation currently holds one management contract with the Alberta Government for the management of aggregate operations in the Fort McMurray area. In these operations the Corporation's services include exploration and identification of minerals, site preparation, administration of the various pits, client orders, and reclamation, where necessary. For these services, the Corporation receives a management fee for each tonne of aggregate material removed from the pit for the duration of the contract.

## DISCUSSION OF OPERATIONS

### Management of Existing Aggregate Operations

#### Susan Lake

The Susan Lake aggregate operation is located approximately 85 km north of Fort McMurray. After factoring in the Boundary amendment from January 2015 mentioned below, the Susan Lake property was 2,379.5 hectares in size. Approximately 1,580 hectares or 66% of the pit has been developed. Approximately 95 million tonnes of sand and gravel have been removed from this pit since 1998. The majority of its sales were to neighboring oil sands companies and also in supplying infrastructure aggregate to the expanding City of Fort McMurray. Between 2009 and 2014, aggregate sales from Susan Lake averaged 8.29 million tonnes per annum. The contract with the Alberta Government will be expiring during 2017; however management will be in discussions about the renewal of the contract at its expiry.

Management worked with ESRD in regards to a boundary amendment at Susan Lake. Athabasca defined and characterized soil profiles suitable for reclamation across the SML. The advancement of oil sands onto the property in conjunction with a definition of suitable future reclamation materials for oil sands reclamation led to the amendment on January 22, 2015.

The management contract with the Government of Alberta allows for an annual increase in the management fee based on the Alberta consumer price index increase for the preceding year. Additional fees are charged when the Susan Lake scales are operated beyond normal business hours.

#### **“Corporate pit” – Produce and sell aggregate product directly to customers**

Athabasca owns several gravel pits throughout Alberta, which produce aggregate for a variety of purposes and customers. In these operations, Athabasca holds the SML for the purpose of extracting sand and gravel from these properties. These aggregate operations are fully controlled by Athabasca, enabling the Corporation to benefit from the full market value on all sales of aggregates, including when applicable, the processing and delivery functions. The services and products provided by the Corporation, and therefore their pricing, may vary by customer contract. Sales invoicing follows aggregate delivery to the customer.

The SML's are strategically pursued and situated near existing major oil sands, oil and gas, government and municipal projects.

#### Kearl Pit

The Kearl pit is located approximately 60 km east of the Susan Lake gravel pit. During March 2011 Athabasca received SML approval from the Government of Alberta to develop an open pit aggregate operation for a term of ten years. The Corporation completed construction of an all-weather road linking the Kearl aggregate operation to a number of major oil sands operations so the Corporation can sell product year-round.

In February 2012, the Corporation announced the receipt of a National Instrument 43-101 (“NI 43-101”) for the Kearl aggregate deposit. The indicated mineral resource aggregates include 3,770,330 tonnes of gravel and 7,636,390 tonnes of sand. Also reported is an inferred mineral resource quantity of an additional 434,000 tonnes of gravel. The quality of the aggregate is suitable for road construction and maintenance. This pit is situated in close proximity to existing oil sands development and continues to be a major source of aggregate supply in the region.

**DISCUSSION OF OPERATIONS (continued)****Management of Existing Aggregate Operations (continued)***KM248 Pit*

During July 2014, Athabasca initiated production under a further agreement with DeneCo Aggregates Ltd. ("DeneCo"), DeneCo for a second nearby aggregate location, Km248, located 85km southwest of Fort McMurray. Athabasca serves as the developer and operator of this location under a similar arrangement. These agreements encourage and promote the participation of First Nations in employment and business opportunities.

The pit is located adjacent to Hwy 881 provides year round access and has produced high quality aggregate product since inception. This pit currently holds crushed inventory of approximately 170,000 metric tonnes, with an estimated 100,000 metric tonnes remaining to be mined.

*Logan Pit*

The Logan pit is located approximately 160 km south of Fort McMurray. The Logan pit is a winter access only pit due to access limitations with a seasonal winter road. Athabasca is evaluating whether it would be beneficial to develop an all-season road in order to allow the pit to be open twelve months of the year.

The Corporation received SML approval from the Government of Alberta to develop an open pit aggregate operation for a term of ten years in 2010. In February 2012, the Corporation announced the receipt of a NI 43-101 for the Logan aggregate deposit. The indicated mineral resource aggregate included 1,357,000 tonnes of gravel. Also reported is an inferred mineral resource quantity of 662,600 tonnes of gravel. The quality of the aggregate materials is suitable for road construction and maintenance.

*Cowper Pit*

During January 2014, the Corporation initiated aggregate production from the Cowper aggregate operation located 95 km southeast of Fort McMurray, under an agreement between Athabasca and DeneCo Aggregates Ltd. ("DeneCo"), a First Nations company. Athabasca serves as the developer and operator for Cowper in return for a royalty paid to DeneCo.

The Cowper pit has now been depleted of gravel, and pit reclamation commenced during Q2 2014. Unsold gravel processed at Cowper has been hauled to a stockpile site near a major highway north of Conklin, where it is available for year round delivery. Stockpile sales commenced during Q3 2014 with more sales deliveries expected going forward.

**Exploration and Development Projects**

Presently, the Corporation holds Alberta Metallic and Industrial Minerals Permits on 194,348 hectares of land and Alberta Metallic and Industrial Mineral Leases on 21,580 hectares of land, largely located in the Fort McMurray region in northeast Alberta. A variety of important industrial minerals have been identified as essential in this region including silica sand, granite, salt and conglomerate. These minerals are key ingredients for many products used to support the oil sands industry and Alberta infrastructure projects.

The Corporation continues to assess its permitted land holdings for development based on mineral exploration programs that employ such methods as surface sampling, outcrop sampling and drilling.



**DISCUSSION OF OPERATIONS (continued)****Exploration and Development Projects (continued)***Birch Mountain Project (Silica Sand)*

The Corporation holds two mineral leases covering 2,432 hectares, situated in the Wood Buffalo region in northeast Alberta, which contain silica sand. Athabasca also holds mineral permits on 87,662 hectares on land adjacent to its two mineral leases. Based on testing performed to date, the Corporation is of the opinion that silica sand found on this property would be suitable for use as frac sand.

*Joint Venture Agreement with Wood Buffalo Métis Corporation*

Athabasca entered into a joint venture agreement with the Wood Buffalo Métis Corporation on January 31, 2014, for the purposes of exploring for and developing and marketing aggregates, including industrial minerals such as granite, dolomite, limestone and silica sand, and for extracting, processing and selling aggregates from within the boundaries of the Regional Municipality of Wood Buffalo. Athabasca has the exclusive support of Wood Buffalo to drill, explore, produce and market aggregates for a period of ten years, with an option to renew, upon mutual agreement of the parties, for an additional ten years.

*Boyle Project (Salt)*

The Corporation has four mineral lease holdings covering 5,835.5 hectares of property overlying the Lotsberg salt formation in the area of Boyle, Alberta. Management is of the opinion the salt is of a high quality and is attractively situated nearby roadway, rail, power and water resources. The Corporation is of the opinion that this salt would provide a suitable feedstock for a Chlor-Alkali chemical plant. The Corporation maintains a 100% interest in these salt leases. During fiscal 2014 the Corporation has acquired three additional Industrial and Metallic Mineral permits adjacent to the Boyle leases (27,392 hectares).

*Dover Project (Salt)*

The Corporation holds one mineral lease covering 256 hectares in the Wood Buffalo region of Alberta in the Birch Mountain area approximately 150 kilometers north of Fort McMurray. On the property is a salt formation which the Corporation has identified and evaluated. The Corporation drilled a salt test well that terminated at a depth of 490 meters. Studies have indicated that this salt would provide a suitable feedstock for a Chlor-Alkali chemical plant to supply the oil sands.

Management feels the property may be usable for housing industrial waste products or for storage of petroleum products, and is assessing its strategic options for this project. The Corporation holds a 100% interest in both the mineral lease and mineral permits with this project. As at December 31, 2014, the Corporation holds one Industrial and Metallic Mineral permit adjacent to the Dover lease (7,664 hectares).

*Sand and Gravel Properties*

A Surface Material Lease (SML) grants the lease holder the right to extract sand and gravel from public land. Athabasca holds four SMLs (130 hectares) for gravel extraction and operates four additional gravel SMLs held by other companies (98 hectares), including a first nations company. In 2014, Athabasca received approval for a SML (32 hectares) for silica sand extraction at the Firebag property.

Athabasca also owns 130 hectares of private land in the Grimshaw, Alberta area which is known for its high quality pre-glacial gravel.

**DISCUSSION OF OPERATIONS (continued)****Exploration and Development Projects (continued)**

	<b>March 31, 2015 (hectares)</b>	<b>December 31, 2014 (hectares)</b>	<b>November 30, 2013 (hectares)</b>
Balance at beginning of period:	390	307	307
Sand and gravel leases or private land acquired during the period:	0	83	0
Balance at end of period:	390	390	307

Athabasca is actively exploring for additional gravel deposits. In 2014, the Corporation tested gravel on public land in three Surface Material Exploration (SME) Permit areas (389 hectares) (Hinton, Conklin areas) and subsequently applied for a SML (32 hectares) to extract gravel in the Steepbank area. Two of those permits were applied for in 2013 and one in 2014.

**Mineral Permits**

Mineral permits are maintained in good standing by making allowable exploration assessment expenditures. The Corporation continuously evaluates its mineral permit holdings, relinquishing and/or acquiring permits as dictated by its exploration and strategic priorities, as well as financial considerations.

The following is the land area covered by the Corporation's mineral permits, located largely in the Fort McMurray area:

	<b>March 31, 2015 (hectares)</b>	<b>December 31, 2014 (hectares)</b>	<b>November 30, 2013 (hectares)</b>
Balance at beginning of period:	242,862	488,952	439,331
Mineral permits acquired during the period:	71,662	35,056	125,934
Mineral permits relinquished during the period:	(120,176)	(281,146)	(76,313)
Balance at end of period:	194,348	242,862	488,952

Athabasca Minerals is strategically focusing its exploration efforts towards silica sand and gravel and putting a higher priority on acquiring rights to explore in areas with existing infrastructure suitable to support a mine and outside of areas with wildlife restrictions or high environmental sensitivities. For these reasons, in 2014 the Corporation chose to let lapse 281,146 hectares of exploration permits. Included in this amount, the Firebag SML was approved, which resulted in the decision to relinquish 15,296 hectares of permits for the Firebag sand deposit.

Much of the newly acquired permit area is for silica sand exploration in the Birch Mountain area where the 2007-2008 exploration program identified silica-rich sand. The Corporation will be testing the sand for its suitability for frac and further defining the area with the thickest and highest quality sand.

The remaining mineral permits acquired in the last year are related to salt projects, which have been described above in the Exploration and Other Development Projects section. Minerals leases are maintained in good standing by incurring land rental and royalties on annual minerals sales production to the Alberta Government.

**DISCUSSION OF OPERATIONS (continued)****Exploration and Development Projects (continued)***Mineral Permits (continued)**Mineral Leases*

The following is the land area covered by the Corporation's mineral leases, located largely in the Fort McMurray area:

	<b>March 31, 2015 (hectares)</b>	<b>December 31, 2014 (hectares)</b>	<b>November 30, 2013 (hectares)</b>
Balance at beginning of period:	21,579.5	21,579.5	18,635.5
Mineral leases acquired during the period:	-	-	2,944.0
Balance at end of period:	21,579.5	21,579.5	21,579.5

The Corporation's fifteen Alberta Metallic and Industrial Minerals Leases are maintained in good standing by the payment of annual lease payments. Estimated costs associated with maintaining these mineral permits and leases appear in the Commitments discussion in the Liquidity and Capital Resources section below.

**RISKS AND UNCERTAINTIES**

The success of Athabasca is subject to a number of factors, including but not limited to those risks normally encountered by junior resource exploration companies, such as exploration uncertainty, operating hazards, increasing environmental regulation, competition with companies having greater resources, fluctuations in the price and demand for aggregates and minerals.

The operations of the Corporation are speculative due to the high risk nature of its business which includes the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the Corporation's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Corporation (see the Section on Forward Looking Information).

Outlined below are some of the Corporation's significant business risks.

**Reliance on oil sands industry** – Demand for Athabasca's products can vary significantly depending on the strength of the oil sands industry in Alberta, and around the world.

**Viability of the equity market** - The Corporation's on-going ability to finance exploration will depend on, among other things, the viability of the equity market.

**Access to additional capital** – The Corporation's ability to access additional capital may be limited for future projects due to inherent risk in equity or debt markets.

## RISKS AND UNCERTAINTIES (continued)

**Susan Lake contract terms** - The terms of the Susan Lake contract gives the Province of Alberta the right to terminate the contract without cause upon three months written notice. The Province of Alberta also has the right to withdraw any portion of the lands from the contract and those lands withdrawn shall cease to be the responsibility of the Corporation with respect to decommissioning and restoration.

**Seasonality** – Extreme weather conditions in Alberta can impact the mining industry during cold winter months and wet spring months.

**Commodity risk** – Athabasca's aggregate products, as well as potential development project products, such as silica sand and salt, are commodities, and as such, there is always pricing risk in a competitive market.

**Employee turnover** – The reliance of the Corporation on key personnel and skilled workers can always impact operational results.

**Project development** – The Corporation has the risk that projects will not develop as anticipated or resources may not have the quality or quantity that management anticipates. Other minerals, like frac sand, may not have the anticipated demand from the mining and oil and gas industry once projects are fully developed.

**Shortage of equipment or other supplies** – The mining industry in Alberta has a history of long periods of growth and significant capital development, which can often impact the availability of equipment and other supplies for smaller companies like Athabasca.

**Reclamation obligations** – The estimates made by the Corporation for reclamation obligations could significantly change due to potential changes in regulatory requirements prior to completing reclamation work.

**Definition of resources** – The Corporation has a risk that current estimates of reserves and resources may not be completely accurate as not all properties have estimates based on the standards required by National Instrument 43-101.

**Environmental, health and safety risk** – The Corporation has a strong safety and environmental record, but any major incident in the future can significantly impact operational results and employee productivity, as well as reputation in the market.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2014 the Corporation reported working capital of \$10.7 million which management feels is sufficient to fund ongoing operations and to meet its liabilities when they come due. This balance is up significantly from November 30, 2013, when the working capital balance was \$5.8 million. The working capital improved primarily due to cash flow generated from operations, the accumulation of aggregate inventory, as well as the issuance of share capital in the first quarter of 2014.

The following table summarizes the Corporation's cash flows:

	Four months ended Dec. 31, 2014	Three months ended Nov. 30, 2013	Change (\$)	Thirteen months ended December 31, 2014	Twelve months ended November 30, 2013	Change (\$)
<small>\$ thousands of Canadian dollars, unless otherwise noted</small>						
Cash from operating activities	\$ 2,202	\$ 573	\$ 1,629	\$ 4,724	\$ 5,374	\$ (650)
Change in non-cash working capital	(1,799)	453	(2,252)	(4,904)	(3,858)	(1,046)
Cash used in investing activities	(59)	(513)	454	(2,962)	(1,978)	(984)
Cash from (used in) financing activities	(602)	(507)	(95)	3,899	(1,998)	5,897
<b>Increase (decrease) in cash</b>	<b>\$ (258)</b>	<b>\$ 6</b>	<b>\$ (264)</b>	<b>\$ 757</b>	<b>\$ (2,460)</b>	<b>\$ 3,217</b>

**LIQUIDITY AND CAPITAL RESOURCES (continued)**

Cash from operating activities for the thirteen months ended December 31, 2014 is \$0.4 million lower than the prior year due primarily to lower sales volumes, and resulting lower gross profit, from the Susan Lake operations, partially offset by lower income tax payments in 2014.

The change in non-cash working capital in 2014 and 2013 primarily reflects the increase in inventory balances in both years as the Corporation builds up inventory levels at the various Corporate pits. In 2014, working capital was negatively impacted by an increase in accounts receivable due to timing of collections at year-end. The increase is not due to a negative change in collectability of the receivable balances, but rather a reflection of the significant sales volumes in the fourth quarter of 2014. The Corporation has not recorded an allowance for doubtful accounts for any receivables as at December 31, 2014 as management remains confident in the collectability of all receivables.

Cash used in investing activities primarily consists of money spent on property and equipment and resource properties. In 2014, spending on these items is \$2.8 million as compared to \$2.7 million in 2013. Cash used in investing activities was positively impacted in 2013 by proceeds from the land use agreement that were \$0.4 million higher than 2014, and the proceeds from a sale and leaseback of property and equipment for another \$0.4 million.

Cash from (used in) financing activities is \$5.9 million better in 2014 than 2013 due primarily to \$5.3 million in net proceeds from the issuance of shares in the first quarter of 2014. The Corporation also made \$2.5 million in principal payments on long-term debt and lease obligations in 2014, as compared to \$2.1 million in 2013.

The Corporation did not enter into any new finance leases or other financial liabilities during the thirteen months ended December 31, 2014.

**Available Credit Facilities**

The Corporation is party to a credit facility agreement with HSBC. The facility includes an operating loan, a capital loan, two leasing equipment facilities, and a MasterCard facility.

The capital loan, with an outstanding balance of \$1.5 million as at December 31, 2014, has no unused capacity.

The two leasing equipment facilities are used to finance the acquisition of equipment. As at December 31, 2014, Athabasca has a lease obligation under these facilities of \$3.9 million.

The Corporation has access to a \$3.0 million demand operating loan with a sub-limit of \$2.0 million available for letters of commercial credit. No amount was outstanding on the operating loan. A further \$675,880 of the operating loan is committed, although not funded, in order to secure letters of credit totalling \$1,351,760.

Accordingly, the Corporation is not exposed to significant liquidity risk.

**LIQUIDITY AND CAPITAL RESOURCES (continued)**Commitments

The Corporation has no formal commitments for capital expenditures.

The Corporation is required to make certain expenditures to keep the various project lands in good standing, including minimum exploration expenditures.

The minimum exploration expenditures to retain the Corporation's existing mineral permits are as follows:

First two year period	\$5.00 per hectare
Second two year period	\$10.00 per hectare
Third two year period	\$10.00 per hectare
Fourth two year period	\$15.00 per hectare
Fifth two year period	\$15.00 per hectare
Sixth two year period	\$15.00 per hectare
Seventh two year period	\$15.00 per hectare

As at March 25, 2015 the Corporation holds mineral permits covering 194,348 hectares (480,244 acres). As a result, the Corporation has spending commitments totaling approximately \$0.2 million in 2015, and \$1.7 million in 2016 and \$0.4 million in 2017 to retain these mineral permits held by the Corporation. These expenditures will either be recorded on the balance sheet in resource properties, or expensed on the income statement as cost of sales or general and administrative expenses, depending on the future viability of the project as at the reporting period.

As at March 25, 2015, the Corporation holds mineral leases covering 21,579.5 hectares. In order to keep the land under mineral leases in good standing, the Corporation is required to pay annual rental of \$3.50 per hectare on the mineral leases. Currently, the Corporation has an annual rental commitment of \$65,224 over the 15 year life of the mineral leases which expire in 2026, and an annual rental commitment of \$10,304 over the 15 year life of the mineral leases which expire in 2028. In addition, applicable royalties will be payable to the Alberta Government once sales production on the mineral leases commences.

In managing the exploration permits, the Corporation adds mineral permits in areas of interest and relinquishes mineral permits in areas that the exploration activities indicate have a low potential of discovering mineral reserves. As permits are relinquished, the number of hectares is decreased thereby reducing the spending commitment. The Corporation is in the process of exploring aggregate and mineral properties and has not yet determined whether these properties contain deposits that are economically recoverable. The continuing operations of the Corporation to meet its commitments, including the development of the properties, securing and maintaining title and financing exploration and development of the properties is dependent upon the internal generation of cash flow and obtaining necessary financing through debt and public and private share offerings.

Capital Resources

On January 14, 2014 the Corporation issued 3,965,517 common shares in a private placement for cash consideration of \$5.75 million. Legal and filing fees of \$0.14 million and commissions of \$0.34 million associated with the private placement were incurred for net proceeds of \$5.27 million.

Each common share issued in the private placement is accompanied by one common share purchase warrant entitling the holder to acquire one-half additional common share at a price of \$1.75 for a period of two years from January 14, 2014. As at December 31, 2014 a total of 422,300 of the 1,982,758 warrants have been exercised at a price of \$1.75. As such, 1,560,458 warrants remain outstanding as at December 31, 2014.

**LIQUIDITY AND CAPITAL RESOURCES (continued)**Capital Resources (continued)

On January 15<sup>th</sup>, 150,000 options were issued with a strike price of \$1.63 with a vesting period of one half each six months until fully vested. The options expire on January 15<sup>th</sup>, 2019.

On June 26<sup>th</sup>, 1,000,000 options were issued with a strike price of \$2.90 with a vesting period of one third each six months until fully vested. The options expire on June 26<sup>th</sup>, 2019

On October 29<sup>th</sup>, 100,000 options were issued with a strike price of \$1.60 with a vesting period of one third each six months until fully vested. The options expire on October 29<sup>th</sup>, 2019

As at March 25, 2015, the Corporation has 33,303,650 common shares outstanding. An additional 3,006,244 options to acquire common shares are outstanding, with an average exercise price of \$1.69 per share.

The Corporation has no dividends declared or paid in 2014 or 2013.

**OFF BALANCE SHEET ARRANGEMENTS**

The Corporation has no off balance sheet arrangements as at December 31, 2014.

**RELATED PARTY TRANSACTIONS**

During the thirteen months ended December 31, 2014, the Corporation incurred expenses of \$224,710 (2013 - \$185,406) for services provided by certain directors and officers and certain companies controlled by certain directors and officers of the Corporation as further described below.

These costs are recorded in the financial statements as follows:

	<b>Thirteen months ended December 31, 2014</b>	<b>Twelve months ended November 30, 2013</b>
<b>Directors and Officers:</b>		
Directors fees and expenses	\$ 108,080	\$ 79,886
Travel and miscellaneous	25,630	10,320
	<u>\$ 133,710</u>	<u>\$ 90,206</u>
 <b>Companies controlled by Directors and Officers:</b>		
Rent	\$ 91,000	\$ 84,000
Travel and miscellaneous	-	750
Property and equipment	-	10,450
	<u>91,000</u>	<u>95,200</u>
	<u>\$ 224,710</u>	<u>\$ 185,406</u>

All related party transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

Compensation of Key Management

Key management personnel include members of the Board of Directors and the senior leadership team. Compensation for key management personnel, including directors, was as follows:

	<b>Thirteen months ended December 31, 2014</b>	<b>Twelve months ended November 30, 2013</b>
Salaries and other benefits	\$ 1,025,943	\$ 805,888
Share-based benefits	1,142,711	531,389
	<u>\$ 2,168,654</u>	<u>\$ 1,337,277</u>

**CHANGE IN ACCOUNTING POLICIES**Accounting Changes

Effective December 1, 2013, the Corporation adopted the following new standards and interpretations issued by the IASB or International Financial Reporting Interpretation Committee ("IFRIC").

Scope of the reporting entity

IFRS 10, "Consolidated Financial Statements" and IFRS 12, "Disclosure of Interests in Other Entities", were issued and replace IAS 27, "Consolidated and Separate Financial Statements" and Standing Interpretations Committee ("SIC") 12, "Consolidation - Special Purpose Entities" for guidance on the consolidation model which identifies the elements of control and provides a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. As no equity interests are currently held in, or joint arrangements held with other entities, adoption of this standard had no current impact on the Corporation's annual financial statements.

Stripping costs in the production phase of a surface mine

IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine" considers when and how to account separately for benefits arising from stripping activity, as well as how to measure these benefits both initially and subsequently. In surface mining operations, entities may find it necessary to remove mine waste materials (overburden) to gain access to mineral ore deposits. This waste removal activity is known as 'stripping.' IFRIC 20 only deals with waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Adoption of this standard had no current impact on the Corporation's annual financial statements.

Joint arrangements

IFRS 11, "Joint Arrangements" was issued and supersedes IAS 31, "Interests in Joint Ventures" and SIC 13, "Jointly Controlled Entities-Non-monetary Contributions by Venturers", to establish principles for financial reporting by parties to a joint arrangement. As no joint venture interests are currently held in or between other entities, adoption of this standard had no current impact on the Corporation's annual financial statements.

Fair value measurement

IFRS 13, "Fair Value Measurement" was issued to set out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. Adoption of this standard had no current impact on the Corporation's annual financial statements.



**CHANGE IN ACCOUNTING POLICIES (continued)****New standards not yet adopted****Financial Instruments classification and measurement**

IFRS 9 "Financial instruments" (IFRS 9) replaces the existing guidance found in IAS 39 "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carried forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation will evaluate the impact of the changes to its financial statements based on the characteristics of its financial instruments at the time of adoption.

**Revenue recognition**

IFRS 15 "Revenue from contracts with customers" (IFRS 15) will replace IAS 18 "Revenue", IAS 11 "Construction contracts", and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The Corporation does not expect the standard to have a material impact on its financial statements.

**Property, plant and equipment and intangible assets**

On May 12, 2014, the IASB issued amendments to IAS 16 "Property, Plant and Equipment" (IAS 16) and IAS 38 "Intangible Assets: (IAS 38). The amendments clarify that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The standard is to be applied prospectively for reporting periods beginning on or after January 1, 2015 with early application permitted. The Corporation does not anticipate that there will be any impact on its method of calculating depreciation or depletion, and therefore, does not expect the standard to have a material impact on its financial statements.

**FINANCIAL INSTRUMENTS**

The Corporation's financial instruments consist of cash, restricted cash, accounts receivable, land use agreement receivable, long-term deposits, accounts payable and accrued liabilities, bank advances, lease obligation, and long-term debt.

## a) Fair Value

Due to the short-term nature of cash, accounts receivable, accounts payable and accrued liabilities, the carrying value of these financial instruments approximate their fair value. The fair value of restricted cash and long-term debt approximates their carrying values as they are at the market rate of interest. Long-term deposits are refundable. The fair value of long-term deposits is not materially different from carrying value. The lease obligation is at a fixed rate of interest. The fair value of the lease obligation is not materially different from carrying value as they are at the market rate of interest. Land use agreement receivable is an estimate of discounted future cash flow with carrying value approximating fair value.

**FINANCIAL INSTRUMENTS (continued)**

## b) Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash, restricted cash, accounts receivable, long-term deposits and land use agreement receivable. The Corporation's maximum credit risk at December 31, 2014 is the carrying value of these financial assets.

In the normal course of business the Corporation evaluates the financial condition of its customers on a continuing basis and reviews the credit worthiness of all new customers. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historical trends and other information. At December 31, 2014, 57.0% (November 30, 2013 – 71.7%) of the Corporation's accounts receivable was due from four customers.

The Corporation's aged accounts receivable are comprised of 33.3% current, 57.4% past due up to 60 days and 9.3% past due over 60 days. While certain amounts are past due, management considers there is no impairment of the accounts receivable except as provided in the following paragraph.

The Corporation wrote off \$628,716 of accounts receivable in 2014, of which \$250,000 was expensed to bad debts during fiscal 2014, \$259,509 during fiscal 2013 and \$119,207 during fiscal 2012.

Credit risk associated with cash and restricted cash is minimized substantially by ensuring that these financial assets are placed with major financial institutions that have been accorded strong investment grade rating. Long-term deposits are held with the Government of Alberta so they bear little credit risk.

## c) Liquidity Risk

The Corporation manages liquidity risk by ensuring sufficient funds are available to meet liabilities when they come due. As part of Athabasca's credit facility, the Corporation must maintain certain ratios. The Corporation has complied with all ratios as at December 31, 2014.

As at December 31, 2014 the Corporation has sufficient working capital to fund ongoing operations and meet its liabilities when they come due. Accordingly, the Corporation is not exposed to significant liquidity risk. The Corporation has identified its financial liabilities as accounts payable and accrued liabilities, long-term debt, including interest but excluding deferred financing costs, and lease obligations, including interest.

	<u>0 - 1 year</u>	<u>2 - 3 years</u>	<u>4 - 5 years</u>	<u>Total</u>
Accounts payable and accrued liabilities	\$ 3,937,424	\$ -	\$ -	\$ 3,937,424
Long-term debt, including interest	1,049,479	506,927	-	1,556,406
Lease obligations, including interest	1,507,544	2,456,152	142,072	4,105,768
Total	<u>\$ 6,494,447</u>	<u>\$ 2,963,079</u>	<u>\$ 142,072</u>	<u>\$ 9,599,598</u>

The Corporation's projected cash flow from operating activities and existing availability from credit facilities are expected to be greater than anticipated capital expenditures and the contractual maturities of the Corporation's financial liabilities as at December 31, 2014. The expectation could be adversely affected by a material negative change in the demand for aggregate or the Corporation's management contracts.

**FINANCIAL INSTRUMENTS (continued)**

## d) Foreign Currency Risk

The Corporation maintains a USD currency bank account with a nominal balance for the infrequent need to fund supplier purchases denominated in USD currency. As at December 31, 2014 the Corporation had minimal amounts of USD cash, accounts receivable and accounts payable. As the amounts involved are insignificant, management feels the foreign currency risk for the Corporation is minimal.

## e) Interest Rate Risk

The Corporation is exposed to interest rate risk on the variable rate capital loan. The Corporation's capital loan bears interest at 1.75% over the bank's prime lending rate. The Corporation's operating loan bears interest at 1.00% over the bank's prime lending rate. As the bank's prime lending rate fluctuates so will the cost of borrowing.

A 100 basis point increase in the interest rate on outstanding debt with variable interest rates would have negatively impacted earnings by approximately \$30,000 in 2014.

**NON-GAAP MEASURES**

Management uses earnings before interest, taxes, depreciation and amortization (EBITDA) to monitor the financial performance of the Corporation and believes this measure enables investors and analysts to compare the Corporation's financial performance with its competitors and evaluate the results of its underlying business. EBITDA does not have a standard measurement under IFRS and should not be considered as a substitute for measures of performance that are prepared in accordance with IFRS. As EBITDA does not have a standardized meaning, the definition used by Athabasca may not be comparable to similar measures used by other companies.

The Corporation defines EBITDA as Operating Earnings adjusted for depreciation, amortization and depletion expense on property and equipment, resource properties, and intangible assets.

The following table reconciles EBITDA to net (loss) income as per the financial statements of the Corporation (in thousands of Canadian dollars):

**EBITDA - Non-GAAP measure reconciliation (\$\$\$ in thousands)**

\$ thousands of Canadian dollars	<b>Thirteen months ended December 31, 2014</b>	<b>Twelve months ended November 30, 2013</b>
Net (loss) income, per financial statements	\$ (831)	\$ 1,922
Add back:		
Income tax expense	210	906
Finance costs	440	437
Other expenses	407	693
Amortization of intangible assets	939	867
Amortization and depreciation expense	2,370	2,015
Less:		
Interest income	(12)	(28)
EBITDA	<u>\$ 3,523</u>	<u>\$ 6,812</u>

**APPROVAL**

The Board of Directors has approved the disclosure in this MD&A, and related financial statements for the thirteen months ended December 31, 2014 at the Board meeting on March 25, 2015.

Under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), TSX Venture issuers like Athabasca are required to certify using the Venture Issuer Basic Certificate. This certificate states that the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Corporation each certify that the documents prepared for the thirteen months ended December 31, 2014 have been reviewed, contain no misrepresentations, and provide a fair presentation of the financial condition, financial performance and cash flows of the Corporation, to the best of their knowledge. This Venture Issuer Basic Certificate does not include any representations relating to the establishment and maintenance of disclosure controls and procedures and/or internal controls over financial reporting. Please refer to the Form 52-109FV1 for additional details. The CEO and CFO of Athabasca have each certified using the Venture Issuer Basic Certificate for the thirteen months ended December 31, 2014.

A copy of this MD&A, the financial statements, certification of annual filings, and previously published financial statements and MD&A, as well as other filed reporting is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).