



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED
MARCH 31, 2015



Management’s Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2015

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.

This MD&A has been prepared as of May 19, 2015. It provides analysis of the Company's financial results for the three months ended March 31, 2015 and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements for the three months ended March 31, 2015 and is compared with the results for the three months ended February 28, 2014. This MD&A should be read in conjunction of Corporation's audited annual consolidated financial statements for the thirteen months ended December 31, 2014 and the related notes.

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 or within the Corporation's SEDAR profile at www.sedar.com.

Management is responsible for the preparation and integrity 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.

OVERVIEW OF THE BUSINESS

Athabasca Minerals Inc. ("Athabasca" or "the Corporation") is a resource 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 was incorporated in 2006. Since 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. The construction necessary to develop Canada's oil reserves near Fort McMurray 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 these development projects.

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 and the oil and gas industry, management believes the Corporation is well positioned now and into the future.

HIGHLIGHTS

- Successful award of a major contract for 2015 and 2016 aggregate delivery in the Conklin area.
- Aggregate demands in the first quarter have historically been low due to lack of road construction activities during the winter months. Coupled with the uncertainty in the region due to the drop in oil prices, oil sands customers had cut back on their major expansion projects in order to preserve capital.
- Budgeted sales in the first quarter from the corporate-owned pits were negatively impacted as a result of one major customer delaying aggregate delivery requirements.
- The Corporation took the initiative in Q4 2014 and Q1 2015 to reduce ongoing operating expenditures and preserve cash flow by shutting down winter crushing operations and reducing the associated labor force while focusing on sales from existing inventory supplies.
- The net loss in the first quarter was \$1.4 million, a 27% improvement from the net loss of \$1.9 million recorded in the first quarter of 2014.
- Announcement of the completion of a Preliminary Economic Assessment ("PEA") for the Corporation's Firebag Silica Sand Project ("Firebag Project").
- Announcement of improved test results from its Firebag Project silica sand post attrition scrubbing.
- The Corporation entered into an agreement with Coal Valley Resources Inc. ("CVRI"), a subsidiary of Westmoreland Coal Company NasdaqGM: WLB) to purchase a private rail transloading facility ("Obel Facility") from CVRI.
- Appointment of Mr. William Woods, CMA as Chief Financial Officer of the Corporation.

OPERATIONAL RESULTS:

| | Three months ended March 31, 2015 | Three months ended February 28, 2014 |
|---|--|---|
| FINANCIAL HIGHLIGHTS: | | |
| Aggregate Management Services - Revenue | \$1,283,135 | \$779,890 |
| Provincial Government Royalties | (\$329,409) | (\$224,323) |
| Corporate-owned Pits Sales Revenue | \$309,077 | \$2,989,377 |
| Revenue | \$1,262,803 | \$3,544,567 |
| Cost Of Sales | \$1,591,180 | \$4,836,644 |
| Gross profit (loss) | (\$328,377) | (\$1,292,700) |
| General and Administrative | \$862,552 | \$621,773 |
| Share-based Compensation | \$285,897 | \$195,103 |
| Amortization of Intangible Assets | \$216,667 | \$216,667 |
| Operating Loss | (\$1,693,493) | (\$2,326,243) |
| Net loss | (\$1,403,018) | (\$1,910,393) |
| Net loss per share | \$ (0.042) | \$ (0.063) |
| EBITDA | (\$1,189,616) | (\$1,606,804) |
| OPERATION HIGHLIGHTS: | | |
| Corporate-owned pits; | | |
| Tonnage sold | 7,828 | 79,994 |
| Susan Lake Operations: | | |
| Tonnage sold - gravel | 759,939 | 498,543 |

REVIEW OF OPERATIONAL RESULTS:**Revenue**

Athabasca's revenue for the three months ended March 31, 2015 was 64% lower at \$1.26 million, compared with \$3.54 million for the three months ended February, 2014. Sales at the corporate pits decreased in the comparative quarter due to a delay in planned deliveries. The drop in oil prices combined with the seasonality effects observed yearly in Q1 led to a decreased demand throughout the area.

The average selling price from the Susan Lake operation was \$1.26 per tonne, an increase of 12.5% from the three months ended February 28, 2014. The increase was contributed to the increase in the consumer index for the area and other works performed by the Corporation. The average selling price from the corporate-owned pit was \$39.48 per tonne, an increase of 10.3% from the three months ended February 28, 2014. The increase reflected further hauling distance to the customer's projects.

Cost of Sales

Cost of sales for the three months ended March 31, 2015 decreased by 67% to \$1.59 million from \$4.84 million for the three months ended February 28, 2014. This significant reduction was due to lower aggregate sales from the corporate-owned pits, reduction in manpower, and no new inventory buildup.

Gross profit (loss)

For the quarter ended March 31, 2015, the Corporation incurred a gross loss of \$0.33 million as compared to a gross loss of \$1.29 million for the three months ended February 28, 2014. The reduction was largely due to the increased selling price from the corporate-owned pits, reduction in selling costs, and improved efficiency of the operation.

Operating Loss

The Corporation incurred an operating loss of \$1.69 million in the first quarter ended March 31, 2015 as compared to an operating loss of \$2.33 million for the three months ended February 28, 2014. This loss included an increase in general and administrative costs and higher stock based compensation. Management is evaluating cost saving opportunities in G&A for implementation in the remainder of 2015.

Net Loss

The Corporation incurred an operating loss of \$1.40 million (\$0.042 per share loss) in the first quarter ended March 31, 2015 as compared to an operating loss of \$1.91 million (\$0.063 per share loss) for the three months ended February 28, 2014. Significant drop in aggregate sales from the corporate-owned pits due to early spring breakup and a drop in the world oil prices contributed to this loss.

Operational Results – Corporate Pits

Sales volumes during the three months ended March 31, 2015 were 7,828 metric tonnes, a decrease compared to the three months ended February 28, 2014 of 79,994 metric tonnes. Athabasca deferred production during the three months ended March 31, 2015 as the aggregate inventory volumes available at the corporate pits were able to supply contractual commitments. Q2-Q4 production will be managed in conjunction with sales and inventory.

Operational Results – Susan Lake Public Pit

Susan Lake sales volumes during the three months ended March 31, 2015 increased by 52% to 759,939 tonnes of sand and gravel from 498,543 tonnes for the three months ended February 28, 2014. The majority of the aggregate sold was used for general maintenance of existing infrastructure.

SUMMARY OF QUARTERLY RESULTS:

The following selected information is derived from unaudited financial statements of the Corporation. The information has been prepared by management in accordance with IFRS. Revenue refers to aggregate management fees and gross aggregate sales from corporate - owned aggregate operations.

| | Q1 2015 | Q4 2014 | Q3 2014 | Q2 2014 |
|---|----------------------|--------------------|--------------------|--------------------|
| Aggregate Management Services - Revenue | \$1,283,135 | \$4,559,140 | \$4,547,008 | \$2,156,114 |
| Provincial Government Royalties | (\$329,409) | (\$1,275,491) | (\$1,202,320) | (\$629,556) |
| Corporate-owned Pits Sales Revenue | \$309,077 | \$6,396,454 | \$6,119,581 | \$2,117,483 |
| Revenue | \$1,262,803 | \$9,680,103 | \$9,464,269 | \$3,644,041 |
| Gross profit (loss) | (\$328,377) | \$2,746,734 | \$4,421,258 | \$272,510 |
| Net income (loss) | (\$1,403,018) | \$12,174 | \$1,605,744 | (\$538,704) |
| Net income (loss) per share – basic | \$ (0.042) | \$ 0.001 | \$0.049 | (\$0.017) |
| Net income (loss) per share – diluted | \$ (0.042) | \$ 0.001 | \$0.047 | (\$0.017) |
| Total Assets | \$35,925,554 | \$39,876,680 | \$41,260,053 | \$39,447,914 |
| Total Resource Properties | \$7,434,715 | \$7,280,531 | \$6,916,978 | \$6,679,961 |

| | Q1 2014 | Q4 2013 | Q3 2013 | Q2 2013 |
|---|----------------------|--------------------|--------------------|--------------------|
| Aggregate Management Services - Revenue | \$778,890 | \$4,038,049 | \$5,083,204 | \$3,406,694 |
| Provincial Government Royalties | (\$224,323) | (\$1,155,313) | (\$1,462,698) | (\$979,672) |
| Corporate-owned Pits Sales Revenue | \$2,989,377 | \$3,759,511 | \$1,991,253 | \$3,887,485 |
| Revenue | \$3,543,944 | \$6,642,247 | \$5,611,759 | \$6,314,507 |
| Gross profit (loss) | (\$1,158,870) | \$2,545,992 | \$2,477,294 | \$2,517,210 |
| Net income (loss) | (\$1,910,393) | \$389,315 | \$1,059,462 | \$847,445 |
| Net income (loss) per share - basic | (\$0.063) | \$0.014 | \$0.038 | \$0.030 |
| Net income (loss) per share - diluted | (\$0.063) | \$0.013 | \$0.037 | \$0.029 |
| Total Assets | \$38,965,296 | \$35,718,827 | \$35,497,497 | \$35,678,173 |
| Total Resource Properties | \$6,415,505 | \$5,821,161 | \$6,328,154 | \$6,229,445 |

The Corporation derives revenues from managing the supply of, and from the production of, various types of aggregates in Northern Alberta. Aggregate sales and the associated delivery can often be hampered by the weather conditions and spring break-up. Most construction, infrastructure and oil sands projects, to which the Corporation supplies aggregate, typically ramp up later in the summer and fall when ground conditions improve. 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. Management continues to look at optimization opportunities. 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.

OUTLOOK:**Aggregate**

The energy sector contributed approximately 22% to the Alberta Gross Domestic Product (GDP). At the same time, 100% of the Corporation's business depends on the energy sector. Oil and gas companies halted their operations and cut back in spending when oil prices dropped. West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing in the U.S. and Canada. The industry has recently experienced a significant drop in the WTI prices from over \$100 per barrel in July, 2014 to approximately \$45 in Quarter 1, 2015.

The Corporation had anticipated lower aggregate sales during Quarter 1, 2015 due to the seasonality of winter condition. However, the recent drop in oil prices had contributed to lower aggregate sales than expected. The last time that oil price dropped was in 2009 where the oil price fell to near \$35 per barrel. In 2009, aggregate sales from the Susan Lake Gravel pit were 6.5 million tonnes from a high of 12 million tonnes in the previous year. However, aggregate sales have slowly increased every year with fiscal 2014 being approximately 7.5 million tonnes.

Athabasca had forecasted that the sale volume from the Susan Lake Gravel Pit would be approximately 6.5 million tonnes in 2015. While recognizing that the potential impact of lower oil prices could be significant, management believes that this projected tonnage is still appropriate and conservative.

Sales guidance for 2015 at the corporate-owned 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. Management continues to believe the sales guidance of 0.5 million tonnes can be achieved.

Athabasca currently has two major contracts for gravel supply and deliveries to major oil sands projects in the Conklin area, south of Fort McMurray. The Corporation has recently recalled key employees and started to produce crushed gravel at Pit 248 in early Q2. It is anticipated that some of the materials will be delivered in the second quarter while the rest of the contracted amounts would be delivered in the third and fourth quarter.

Management has recently submitted a tender to supply a significant amount of crushed gravel from the Kearl pit to a major oil sands customer. If successful, management anticipates that the sales volume would meet or exceed the forecasted amount.

With the anticipated increase in oil price by the end of this year (current WTI at \$60 per barrel) this may reactivate some of the oil sands projects that have been put on hold. An increase in oil sands activities will also initiate more demands for aggregate.

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.

OPERATIONS:**AGGREGATE****“Public Pit” - Management of aggregate operations on behalf of the Government of Alberta or privately held interests**

The Corporation currently manages the Susan Lake Gravel Pit on behalf of the Alberta Government. The Corporation's services include exploration and identification of minerals, clearing and topsoil stripping, site preparation, dewatering and road maintenance, allocation of pit areas to specific user's, scaling of material and general administration of the pit. 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.

Susan Lake

The Susan Lake aggregate operation is located approximately 85 km north of Fort McMurray. The Susan Lake property is 2,379.5 hectares in size of which 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 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-Owned Pit” – Produce and sell aggregate product directly to customers

Athabasca leases or owns several gravel pits in Northern 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.

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.

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 and infrastructure construction and ongoing 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.

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.

KM248 Pit

During July 2014, Athabasca initiated production under an agreement with 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. Crushing began subsequent to the end of the quarter.

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.

House River Pit

The House River pit is located approximately 11 km east of Highway 63 on the House River. During August, 2011 the Corporation received SML approval from the Alberta Government, to develop an open pit aggregate operation on the leased land for a term of ten years. During fiscal 2012 the Corporation reported sales of asphalt aggregate from the House River pit totaling 253,500 tonnes to a major road building contractor in connection with the twinning of Highway 63, north of Wandering River, Alberta. The House River pit is currently accessible only through a winter season road. The Corporation is evaluating road improvements to allow for year round delivery.

Exploration and Development Projects

Firebag Silica Sand Project:

The Corporation's silica sand deposit, "Firebag Project" is located 139 km north of Fort McMurray and, is accessible via Highway 63. The planned operation is for the production of industrial proppants for use in the hydraulic fracturing of oil and gas wells. Independent testing by both Stim Lab and Protester confirm a high quality product with crush strength meeting or exceeding API and ISO standards for frac sand. A Preliminary Economic Assessment ("PEA") confirmed that the Corporation's Firebag Project has considerable potential for development as a frac sand resource, which includes the potential for a large, highly economical deposit with high margin, rapid payback and 25 years of open pit mining. The PEA was prepared by Norwest Corporation ("Norwest"), headquartered in Calgary, Alberta.

PEA Highlights:

- Pre-Tax base case economics indicate a Net Present Value ("NPV") of Cdn \$368 million at a 10% discount rate with an Internal Rate of Return ("IRR") of 68%, using the base case prices set forth below;
- Post-Tax base case economics indicate a NPV of Cdn \$268 million at a 10% discount rate with an IRR of 57%, using the base case prices set forth below;
- The Firebag project has a project life of 25 years with an in-situ inferred resource of 39.24 million tonnes;
- Year 1 production commissioning is scheduled at 300,848 tonnes with a peak production of 921,588 tonnes and an average production rate of 897,072 tonnes annually;
- Project sale of 22.73 million tonnes of frac sand product over a 25 year period;
- Initial Capital costs of Cdn \$87.8 million including 20% contingency;
- Frac sand prices -- FOB plant in the Edson Area:
 - 20/40 mesh -- Cdn \$195 per tonne;
 - 40/70 mesh -- Cdn \$170 per tonne;
 - 70/140 mesh -- Cdn \$155 per tonne;
- Gross Revenue of Cdn \$3.8 Billion and Operating Cash Flow Pre- Tax of Cdn \$1.3 Billion;
- Operating Cash Flow Post- Tax of Cdn \$1.0 Billion;
- Payback of 1.6 years before Income Tax and 1.9 years after Income Tax.

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. Advancements on the trans-loading sites and detailed engineering have continued during 2015. Athabasca has been in active discussions with a major railway company in developing a private switch and trans-loading facility in Fort McMurray, Alberta.

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.

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.

Apex Geoscience of Edmonton, Alberta is completing a National Instrument 43-101 resource report on the project. Management anticipates that the report will be completed and filed in the second quarter of 2015.

Pelican Hill Pit

The Pelican Hill pit is located approximately 70 km southeast of the Hamlet of Wabasca, where heavy petroleum is produced. The Corporation received SML approval (10 year term) in June, 2011 on this 79.7 acre mixed sand and gravel pit. While the proposed development of this property has not been established to date, the Corporation expects to supply aggregate from this property primarily to the oil and gas industry, as

well as to the government or its partners for use in infrastructure projects in the area. This pit will be available for year-round aggregates extraction and sales with the construction of an all-season road of less than two kilometers. Some recent tree clearing was initiated at the Pelican Hill pit, to enable future production. Management is exploring opportunities for pit sales from Pelican Hill prior to full development of the site. Current indications for aggregate demand from this location appear to be encouraging and management is reviewing market potential at this time.

Sand and Gravel Properties

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

| | March 31, 2015 (hectares) | December 31, 2014 (hectares) | November 30, 2013 (hectares) |
|--|--|---|---|
| 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 Conklin area. Two of those permits were applied for in 2013 and one in 2014.

During the three months ended March 31, 2015, management received approval to test 320 acres in the Conklin geographic region. In addition, management has applied for 392.92 acres of sand and gravel exploration permits in the Edson and Conklin geographic region.

MINERAL PROPERTIES

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.

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 might be suitable for use as frac sand.

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).

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:

| | March 31, 2015 (hectares) | December 31, 2014 (hectares) | November 30, 2013 (hectares) |
|---|--|---|---|
| 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 |

Minerals leases are maintained in good standing by incurring land rental and royalties on annual minerals sales production to the Alberta Government.

Mineral Leases

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

| | March 31, 2015 (hectares) | December 31, 2014 (hectares) | November 30, 2013 (hectares) |
|--|--|---|---|
| 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.

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 March 31, 2015 the Corporation reported working capital of \$9.7 million which management feels is sufficient to fund ongoing operations and to meet its liabilities when they come due. This balance is down \$1.0 million from December 31, 2014, when the working capital balance was \$10.7 million. The working

capital decreased primarily due to cash flow generated from operations, the impact of lower sales offset by lower payables, and the higher income tax recovery as a result of the loss in the period.

The following table summarizes the Corporation's cash flows:

| | Three months ended March 31, 2015 | Three months ended February 28, 2014 | Change (\$) |
|---|-----------------------------------|--------------------------------------|---------------|
| Net loss adjusted for non cash items | (\$961,608) | (\$1,502,783) | \$541,175 |
| Change in non-cash working capital | 1,875,196 | \$729,175 | \$1,146,021 |
| Cash used in investing activities | (\$7,104) | (\$1,341,528) | \$1,334,424 |
| Cash from (used in) financing activities | (\$586,814) | \$4,715,878 | (\$5,302,692) |
| Increase (decrease) in cash | \$319,670 | \$2,600,742 | (\$2,281,072) |

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 \$1.2 million as at March 31, 2015, has no unused capacity.

The two leasing equipment facilities are used to finance the acquisition of equipment. As at March 31, 2015, Athabasca has a lease obligation under these facilities of \$3.5 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.

Commitments

The Corporation has no formal commitments for capital 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 31, 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

As at March 31, 2015, the Corporation has 33,303,650 common shares outstanding. An additional 2,906,264 options to acquire common shares are outstanding, with an average exercise price of \$1.71 per share. As at May 19, 2015, the Corporation has 33,303,650 common shares outstanding. An additional 2,806,244 options to acquire common shares are outstanding, with an average exercise price of \$1.67 per share.

As at March 31, 2015, the Corporation has 1,560,458 warrants outstanding at an average exercise price of \$1.75.

The Corporation has no dividends declared or paid in three months ended March 31, 2015.

OFF BALANCE SHEET ARRANGEMENTS

The Corporation has no off balance sheet arrangements as at March 31, 2015.

RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2015, the Corporation incurred expenses of \$51,351 compared to the three months ended February 28, 2014 (\$22,416) for services provided by certain directors and officers and certain companies controlled by certain directors and officers of the Corporation as further described below. Beginning in 2015, director fees are accrued as earned compared to prior periods where director fees were recorded as a cash disbursement basis.

These costs are recorded in the financial statements as follows:

| | Three months ended March 31, 2015 | Three months ended February 28, 2014 |
|--|--|---|
| Directors and Officers: | | |
| Directors fees and expenses | \$ 30,351 | \$ 300 |
| Travel and miscellaneous | - | 1,116 |
| | <u>\$ 30,351</u> | <u>\$ 1,416</u> |
| Companies controlled by Directors and Officers: | | |
| Rent | \$ 21,000 | \$ 21,000 |
| | 21,000 | 21,000 |
| | <u>\$ 51,351</u> | <u>\$ 22,416</u> |
| AP balance - related parties | | |
| Directors Fees - accrued included in trade payables | \$ 25,875 | \$ - |
| | <u>\$ 25,875</u> | <u>\$ -</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:

| | Three months ended March 31, 2015 | Three months ended February 28, 2014 |
|-----------------------------|--|---|
| Salaries and other benefits | \$ 114,583 | \$ 133,997 |
| Share-based benefits | 130,556 | 20,887 |
| | <u>\$ 245,139</u> | <u>\$ 154,884</u> |

CHANGE IN ACCOUNTING POLICIES

Accounting Changes

Effective January 1, 2015, the Corporation adopted the following new standards and interpretations issued by the IASB or International Financial Reporting Interpretation Committee ("IFRIC").

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 adoption of the standard did not have a material impact on its financial statements.

Levies

IFRIC 21 "Levies" (IFRIC 21) provides guidance on accounting for levies in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Asset". The interpretation defines a levy as an outflow from an entity imposed by the government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of the standard did not have a material impact on its financial statements.

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.

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.

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 March 31, 2015 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 March 31, 2015, 87.3% (February 28, 2014 – 92.4%) of the Corporation's accounts receivable was due from five customers.

The Corporation's aged accounts receivable are comprised of 29.6% current, 31.8% past due up to 60 days and 38.5% past due over 60 days. While certain amounts are past due, management considers there is no impairment of the accounts receivable. As of April 30, 54.0% are current, 11.9% past due up to 60 days and 34.1% past due over 60 days.

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 March 31, 2015.

As at March 31, 2015 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 | \$ 1,565,597 | \$ - | \$ - | \$ 1,565,597 |
| Long-term debt, including interest | 1,037,604 | 251,979 | - | 1,289,583 |
| Lease obligations, including interest | 1,507,560 | 2,162,607 | 97,079 | 3,767,246 |
| Total | <u>\$ 4,110,761</u> | <u>\$ 2,414,586</u> | <u>\$ 97,079</u> | <u>\$ 6,622,426</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 March 31, 2015. The expectation could be adversely affected by a material negative change in the demand for aggregate or the Corporation's management contracts.

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 March 31, 2015, 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 \$6,875 in 2015.

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 | Three months ended March 31, 2015 | Three months ended February 28,2014 |
|---------------------------------------|--|--|
| Net loss, per financial statements | \$ (1,403,018) | \$ (1,910,393) |
| Add back: | | |
| Income tax expense | (356,920) | (509,969) |
| Finance costs | 74,937 | 99,806 |
| Other expenses | (5,329) | (2,527) |
| Amortization of intangible assets | 216,667 | 216,667 |
| Amortization and depreciation expense | 287,210 | 502,772 |
| Less: | | |
| Interest income | (3,163) | (3,160) |
| EBITDA | <u>\$ (1,189,616)</u> | <u>\$ (1,606,804)</u> |

Legal Update surrounding Syncrude Litigation

The Corporation has recently received the Statement of Defence and Counterclaim of Syncrude Canada Ltd. ("Syncrude") in respect of the Corporation's dispute with Syncrude regarding approximately \$620,000 in user fees and government royalties the Corporation believes are owed by Syncrude to the Corporation in respect of Gravel used by Syncrude from the Susan Lake Public Pit. In addition to denying all allegations in the Corporation's Statement of Claim, Syncrude has brought several counterclaims against the Corporation and is seeking damages in excess of \$68,000,000 (the "Counterclaim"). The Corporation is uncertain of the outcome of the claim at this time.

Management believes the counterclaim is without merit and will defend it rigorously.

APPROVAL

The Board of Directors has approved the disclosure in this MD&A, and related financial statements for the three months ended March 31, 2015 at the Board meeting on May 15, 2015.

Under National Instrument 52-109F2 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 three months ended March 31, 2015 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 three months ended March 31, 2015.

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.