MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE SIX MONTHS ENDED MAY 31, 2011

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GENERAL

This Management's Discussion and Analysis ("MD&A") of the financial condition and the results of operations of Athabasca Minerals Inc. ("Athabasca" or the "Corporation") should be read in conjunction with the unaudited interim financial statements and the notes thereto for the six months ended May 31, 2011, as well as the audited financial statements and the notes thereto for the year ended November 30, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles. The following information was prepared by management as of July 27, 2011. All amounts have been expressed in Canadian dollars. Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

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A. COMPANY PROFILE

Athabasca is a management and exploration company specializing in developing and exploring for aggregates and industrial minerals in Alberta. The business strategies to grow the Corporation are:

- Management of aggregates resources
- Exploration, acquisition and development of other aggregate resources and companies
- Identification, exploration and development of various industrial minerals to support oil sands development
- Identify areas for lay-down facilities, camps and associated infrastructure for oil sands activity

Management of aggregate resources focuses primarily on supplying our aggregate management expertise to clients who either own or hold aggregate properties. This service includes, but is not limited to, clearance of trees, removal and conservation of top soil and overburden, exploration for usable material, identification of the types and qualities of aggregate available to maximize the utilization of the resource, coordination of clients' orders for specific aggregate with available material, organization and direction of contractors in the pit, quantity assured supervision of clients' orders via weighing and / or surveying all aggregate extracted, and reclamation of the site in compliance with government standards after the pit is depleted. For these services, the Corporation receives a fee for each cubic metre / tonne of aggregate material removed from the pits for the duration of the contracts. Currently, the Corporation manages two pits north of Fort McMurray, Alberta for the Alberta Government.

The Corporation employs in-house experts with more than 200 years of combined experience in the aggregates industry to identify, explore and develop aggregate resources. Our team members have been involved with numerous acquisitions of aggregate resources and operations in Alberta. To date, the Corporation has signed an agreement with a Grimshaw, Alberta pit operation (northwest of Peace River) containing a total measured resource quantity of 10 million tonnes, acquired two 160-acre properties near this operation, and purchased Aggregates Management Inc., the company that manages the two public pits north of Fort McMurray for the Alberta Government.

The Corporation has implemented a significant number of aggregate exploration programs on public land, and following review of the test programs, four aggregate mining applications have been submitted for approval to the Alberta Government. So far, three aggregate mining leases have been approved, and another is pending Alberta Sustainable Resource Development final approval, expected to be received in the third quarter of fiscal 2011.

Currently, the Corporation holds Alberta Metallic and Industrial Minerals Permits on 325,917 hectares (805,359 acres) largely located in the Fort McMurray region in northeast Alberta. The Alberta Government has identified a rich variety of industrial minerals in this region such as silica sand, salt, and dolomite. 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 airborne magnetic surveys, sediment stream and outcrop sampling and deep well drilling.

B. AGGREGATE MANAGEMENT

The Corporation holds management contracts with the Alberta Government for the management of the Susan Lake and Poplar Creek aggregate operations, located north of Fort McMurray. The Corporation's mandate is to operate the aggregate resources for public use and generates its revenue from the management of these two aggregate operations. The business of the Corporation is seasonal with the majority of revenue earned in the 3rd and 4th quarters. This is due largely to construction projects starting up in the spring and summer seasons. Although the Corporation generates the majority of its revenue during these periods, operations continue year round.

Susan Lake Aggregate Operation

The aggregate operation is located approximately 85 Km north of Fort McMurray. It is approximately 9,260 acres (3,750 hectares) in size. Only 23% or approximately 845 hectares of the pit has been developed. Approximately 60.6 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. As at May 31, 2011 there are 78 months remaining on the ten year contract with the Alberta Government.

Between 2003 and 2010 sales from Susan Lake averaged 6.00 million tonnes per annum. The Susan Lake Pit was named the top aggregate supplier in Canada for the amount of aggregate sold in 2009 totaling 6.59 million tonnes. The aggregates were utilized by oil sands companies and other infrastructure projects in the Fort McMurray area.

Poplar Creek Aggregate Operation

The aggregate operation is located approximately 30 Km north of Fort McMurray. It is approximately 3,680 acres (1,490 hectares) in size. Approximately 1.5 million tonnes of aggregate has been removed from this pit since 2003. While most of the gravel has been extracted from the pit, it contains substantial sand deposits. A sand testing program has commenced to determine the quantity and quality that may be marketed to nearby oil sands operations and the City of Fort McMurray.

A 65-hectare area that is depleted of aggregate was converted to a lay-down area where equipment, pipe, plant components and supplies used by oil sands and industrial companies can be stored and assembled.

The Corporation has obtained a miscellaneous lease approval from the Alberta Government to operate the site as a lay-down yard. The term of this lease is consistent with the term of the Poplar Creek management contract which has 21 months remaining as at May 31, 2011.

On June 7, 2011 the Corporation announced it had finalized a long term land use agreement with a large camp provider to transfer a 42 acre parcel of developed land out of the depleted portion of the Corporation's current miscellaneous lease at Poplar Creek to the camp provider. The camp provider has constructed a facility on the lease that can currently accommodate approximately 500 workers, primarily employed in the oil sands industry. Pursuant to the land use agreement, the camp provider pays monthly fees to the Corporation. The camp provider also agreed to make a contribution toward the estimated cost of reclamation, in aggregate not to exceed $300,000, which the Corporation will maintain in a restricted cash account to be first applied toward any costs for reclamation of the Poplar Creek site.

During the period ended May 31, 2011 the Corporation had received work camp income of $44,559 and a further contribution toward reclamation costs in the amount of $9,853 under the agreement. Work camp operations had effectively begun near the end of March, 2011.

C. OTHER AGGREGATE RESOURCES

Public Land

The Corporation already possesses or is actively pursuing approval of various Surface Materials Leases (SML's) on public lands for the purpose of extracting sand and gravel from these properties. Sales revenue from aggregates extracted will be determined by market demand rather than specified by a government agency.

The SML's pursued are strategically situated near existing major oil sands, oil and gas, government and municipal projects. The status of the Corporation's surface materials leases on public land is as follows:

Logan Pit

Logan pit is located approximately 160 km south of Fort McMurray. The Corporation received approval to develop this pit in early 2010. The 80-acre Logan pit aggregate lease is believed to contain significant amounts of aggregate materials suitable for widespread use in construction and oil sands activities.

This pit contains very little vegetation, topsoil and overburden, and could be prepared for mining extraction within a few weeks upon receiving aggregate orders. Access to the Logan pit is provided via an existing county winter road that runs through the site. Aggregate from this pit will be supplied primarily to oil sands and government infrastructure projects in the area.

The Corporation is in discussions with prospective customers in the Conklin, Alberta area for aggregates delivery during January through March 2012. The Corporation intends to strip a portion of this area during the fourth quarter of 2011 to prepare the site for gravel extraction. This pit will be suitable for winter haul only.

Pelican Hill

Pelican Hill pit is located approximately 70 km southeast of the Hamlet of Wabasca, where heavy petroleum is produced. Final SML approval on this 79.7 acre mixed sand and gravel pit was received from Alberta Sustainable Resource Development on June 7, 2011. The Corporation expects to supply aggregate primarily to the oil and gas industries, as well as for government infrastructure projects in the area. This pit will be available for year-round aggregates extraction and sales. Production is expected to commence during the summer of 2012.

Kearl Pit

Kearl pit is located approximately 60 km east of the Susan Lake gravel pit. On March 8, 2011 the Corporation announced SML approval from the Government of Alberta. The Corporation completed construction of an all-weather road linking the aggregate operation to a number of major oil sands operations surrounding the project area. Kearl Pit is available for year-round aggregates extraction and sales. The Kearl aggregate operation is fully controlled by Athabasca Minerals, enabling the Corporation to benefit from the full market value on all sales of aggregates, including processing and delivery (in contrast to the per tonne fixed fee the Corporation currently receives for managing Susan Lake and Poplar Creek). The Corporation is currently engaged in marketing discussions with prospective customers.

House River

House River pit is located approximately 11 km east of highway 16 on the bank of the House River. In addition to supplying the oil sands market, this location is ideally situated to supply gravel for the highway 63 twinning project. Like the Logan Pit, this pit will be suitable for winter haul only. The Corporation expects to receive approval during the third quarter of 2011 with extraction commencing in the third quarter of 2012.

Private Land

Warrensville Pit

In April 2007, Athabasca signed a gravel lease agreement with a private pit operator in the Grimshaw area northwest of Peace River to take over the pit operation (the Warrensville Pit) and marketing of gravel in northwest Alberta. In September 2007, Athabasca received a National Instrument 43-101 technical report on this property.

The following conclusions are documented in the report:

- Based on published geological data and two drilling programs, the property has potential for aggregate resource development
- Total measured resource quantity of the property exceeds 10 million tonnes
- Quality of the resource has been evaluated as "a good prospect for construction projects

This region has potential for significant growth given the activities in the Peace River oil sands development, combined with conventional oil and gas activities, pipeline corridors, forestry and agriculture. Since 2007, with the objective of utilizing aggregates sourced from this pit, the Corporation has bid on several projects but to date has been unsuccessful. Future opportunities will continue to be pursued.

The Corporation also purchased two 160-acre parcels of land near the leased property. These lands are located within and underlain by the "Grimshaw Gravels", a pre-glacial sand and gravel deposit. Pre-glacial deposits are known to contain high quality aggregates.

Acquisition and/or Joint Venture

The Corporation continues to pursue existing aggregate operations that are owned or managed by other aggregate suppliers with a view to acquire them or enter into a joint venture agreement with them. Aggregate operations that satisfy due diligence reviews to determine the operations' viability and that are conducive to the Corporation's growth strategy will be targeted.

D. MINERAL PROPERTIES

As at July 27, 2011 the Corporation holds Alberta Metallic and Industrial Minerals Permits for 325,917 hectares (805,359 acres) of land in northern Alberta. 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 exploration and strategic priorities, as well as financial considerations.

Financing potential opportunities such as these may be done by way of internally generated working capital or by debt or equity.

The following is the land area covered by the Corporation's mineral permits:

	July 27, 2011 (hectares)	May 31, 2011 (hectares)	February 28, 2011 (hectares)
Balance at beginning of period:	325,917	494,072	504,584
Mineral permits acquired during the period:	-	16,560	7,920
Mineral permits relinquished during the period:	-	(184,517)	(18,432)
Balance at end of period:	325,917	325,917	494,072

Salt

The Corporation has mineral permit holdings on property situated in the Lotsberg formation in the Boyle, Alberta area. The salt appears to be 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 applied for a 5,648 hectare mineral lease on this property on May 10, 2011 and expects to receive government approval during the fourth quarter of fiscal 2011.

The Corporation has also identified and evaluated a salt formation in the Fort McMurray area. Studies have indicated that this salt would also provide a suitable feedstock for a Chlor-Alkali chemical plant to supply the oil sands industry. This project is being deferred as substantial working capital will be required to conduct further studies and testing to determine whether this project is economically viable. The Corporation may seek an industrial partner to pursue this opportunity further.

Once salt mining has been performed, the resulting salt caverns can provide for a further attractive commercial opportunity. The salt caverns can potentially be utilized for the purpose of housing industrial waste products.

Silica Sand

During the third quarter of 2010 the Corporation identified a silica sand deposit on the Corporation's 12,800 hectare Firebag property situated in the Wood Buffalo region of northern Alberta, about 100 kilometers north of Fort McMurray. These samples were taken from alongside an already existing road which services the Corporation's customer base. Therefore the cost of new road construction could be avoided should development of this deposit be pursued.

Further testing was conducted during the fourth quarter of 2010, when the Corporation's exploration team drilled 17 holes with an average depth of 15 meters. In each instance, the sand was found to exceed the depth of the hole drilled. Silica samples were sent to Loring Laboratories Ltd., an independent lab, for testing. Out of 70 samples tested, the average silica content was determined by the independent lab to be 94.64% SiO_2. With minimal processing (washing, screening) the silica percentages of the sand were increased to above 95%. The silica content can be improved further still through additional processes such as attrition scrubbing, desliming, cycloning and hydrosizing.

Wet sieve analyses of the 70 samples were conducted also by Loring Laboratories Ltd. and gave the following average results:

Sieve size	+20 sand	20/40 sand	40/70 sand	70/100 sand	-100 sand
Average	4.3%	19.54%	44.22%	15.11%	16.82%

The mesh sizes found in the Corporation’s samples fall in line with silica sand sizes currently used in industry for the purpose of “fracing.”

In the second quarter of 2011, additional samples that represent a typical layer of silica sand from the Firebag property were sent to Outotec of Jacksonville, Florida for frac sand evaluation. Outotec is a global leader in frac sand plants design and supply. After their initial evaluation, Outotec recommended that the samples be tested by Stim-Lab Inc. of Oklahoma, a recognized leader in proppants testing for the oil and gas industry in order to find out if they meet the API/ISO Specifications for proppants used in Hydraulic Fracturing and Gravel-Packing Operations.

The samples submitted to Stim-Lab were initially prepared by Outotec and the results are as shown below:

TEST		20/40 sand		40/70 sand		70/140 sand	
		Sieve	% Retained	Sieve	% Retained	Sieve	% Retained
Sieve Analysis		18	0.0	35	0.0	70	10.4
		20	0.1	40	0.6	80	31.0
		25	7.0	45	21.5	100	28.8
		30	16.1	50	27.7	120	19.6
		35	25.4	60	42.4	140	9.7
		40	38.5	70	5.9	170	0.1
		45	12.5	80	1.7	200	0.0
		Pan	0.0	Pan	0.1	Pan	0.0
Recommended amount retained in-size ≥ 90%		**Total % In-size**	87.0	**Total % In-size**	97.5	**Total % In-size**	89.1
	API/ISO Specs						
Sphericity	≥ 0.6	0.7		0.7		0.7	
Roundness	≥ 0.6	0.7		0.6		0.6	
Clusters	0.0	0.0		0.0		0.0	
Acid solubility	≤ 2.0%	2.5%					
Acid solubility	≤ 3.0%			2.2%		3.4%	
Turbidity	≤ 250 FTU	12 FTU		2 FTU		18 FTU	
Bulk Density		1.50 g/cm^3		1.47 g/cm^3		1.43 g/cm^3	
Bulk Density		93.6 lb/ft^3		91.7 lb/ft^3		89.2 lb/ft^3	
Specific Gravity		2.61		2.62		2.63	
Crush Resistance		**Stresses Tested (psi)**	**% Fines**	**Stresses Tested (psi)**	**% Fines**	**Stresses Tested (psi)**	**% Fines**
		4000	2.6	5000	2.5	5000	2.2
		6000	9.2	8000	9.5	10000	9.1
		7000	14.8	9000	13.4	11000	10.6
Crush K Value		**6K**	**8K**	**10K**			
Suggested Maximum Fines		**14% @ 4000 psi**		**8% @ 5000 psi**		**6% @ 5000 psi**	

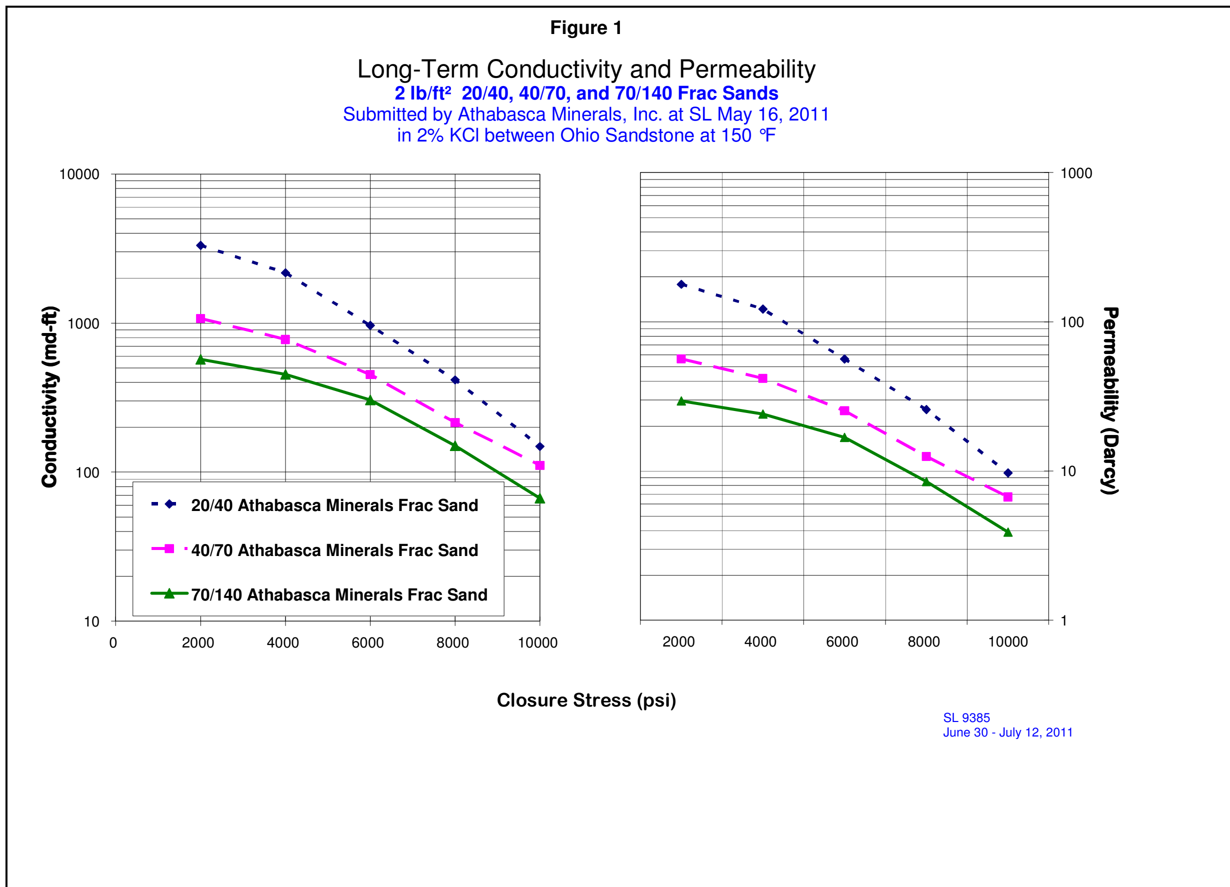
Proppants require a high quality crush strength silica rating. The Corporation's ratings of 6K for 20/40, 8K for 40/70, and 10K for 70/140 exceed the requirements. These test results position Athabasca silica as being eligible for use in most oil and gas drilling operations across North America.

In June, 2011, the Corporation made a request to Stim-Lab for additional testing on the conductivity and permeability of the samples submitted. Conductivity testing evaluates how easily fluid can pass through the sand at reservoir conditions. Various closure stresses are tested to determine how the sand withstands forces at different depths and pressures. Permeability measures the ability of fluids to flow through sand.

Stim-Lab Inc. test results are as shown below:

Conductivity in MilliDarcy-foot @ 2 lb/ft² @ 150° F x 50 hrs			
Closure stress (psi)	**20/40**	**40/70**	**70/140**
2000	3309	1072	572
4000	2173	775	452
6000	962	451	305
8000	415	215	151
10000	149	111	67
Permeability Darcy @ 2 lb/ft² @ 150° F x 50 hrs			
Closure stress (psi)	**20/40**	**40/70**	**70/140**
2000	178	56	30
4000	122	42	24
6000	56	25	17
8000	26	13	8.5
10000	10	6.7	3.9

Figure 1 shows a summary of conductivity and permeability vs. stress.



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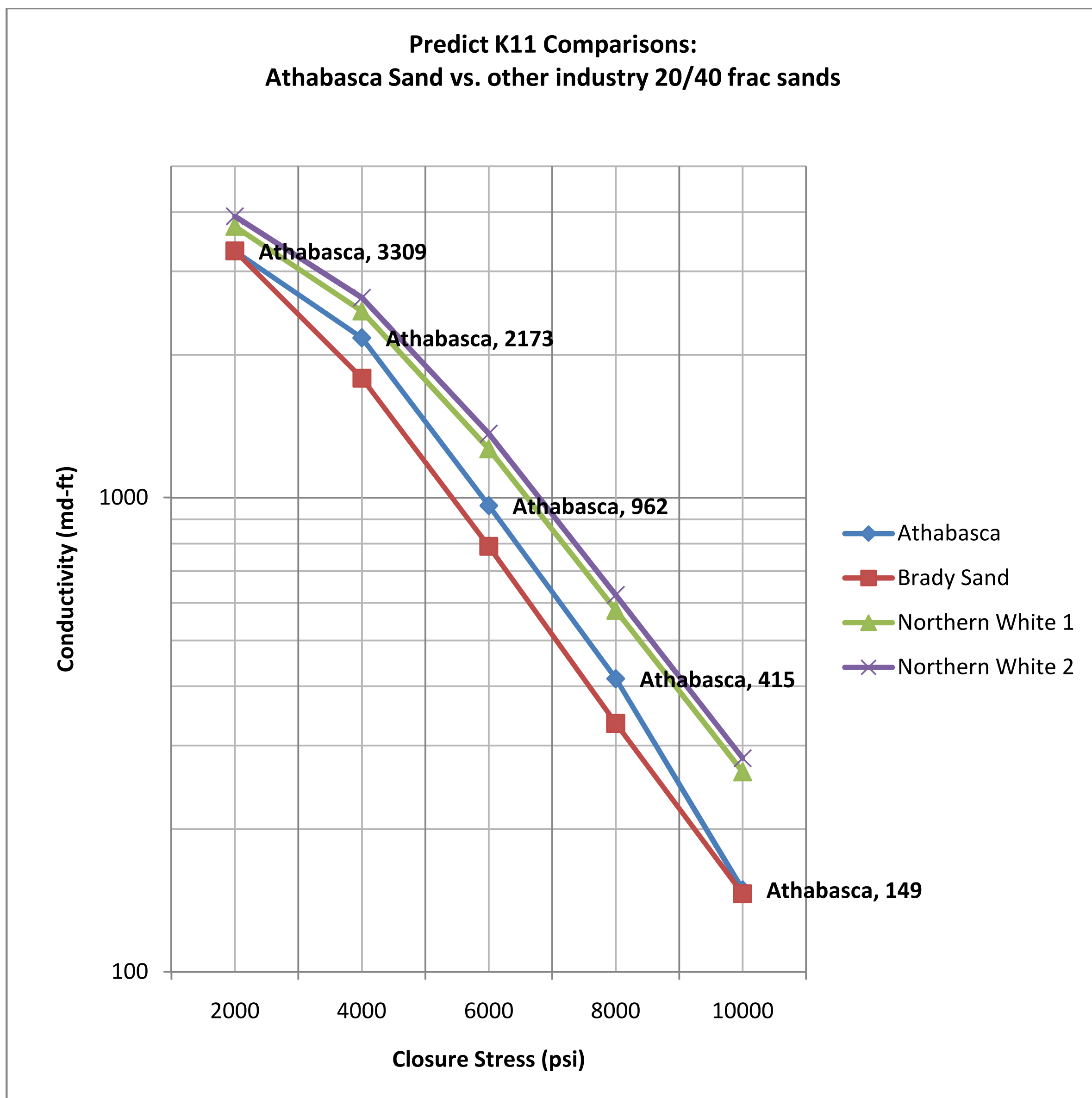
Stim-Lab's report also contain Predict-K11 comparisons of other frac sands used in the industry which were sieve adjusted to Athabasca's samples at 2,000 – 10,000 psi closure as shown in the charts and graphs below:

20/40 Frac Sand:

Closure Pressure	Athabasca Sand	Brady Sand	Northern White 1	Northern White 2
2000	3309	3312	3730	3919
4000	2173	1786	2473	2640
6000	962	789	1266	1364
8000	415	334	579	623
10000	149	146	264	282



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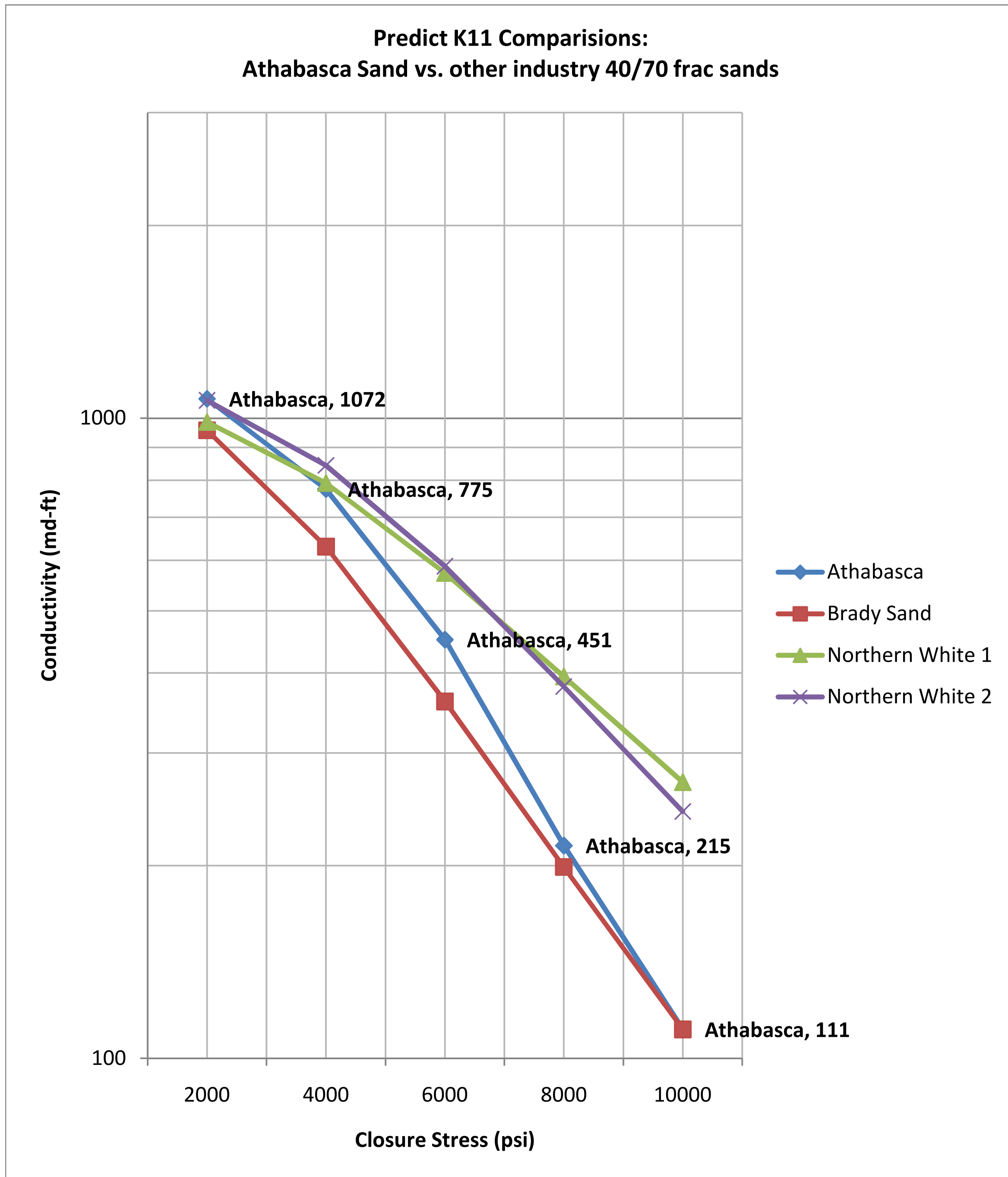
40/70 Frac Sand:

Closure Pressure	Athabasca Sand	Brady Sand	Northern White 1	Northern White 2
2000	1072	957	986	1066
4000	775	630	792	844
6000	451	361	573	587
8000	215	199	395	381
10000	111	111	270	243



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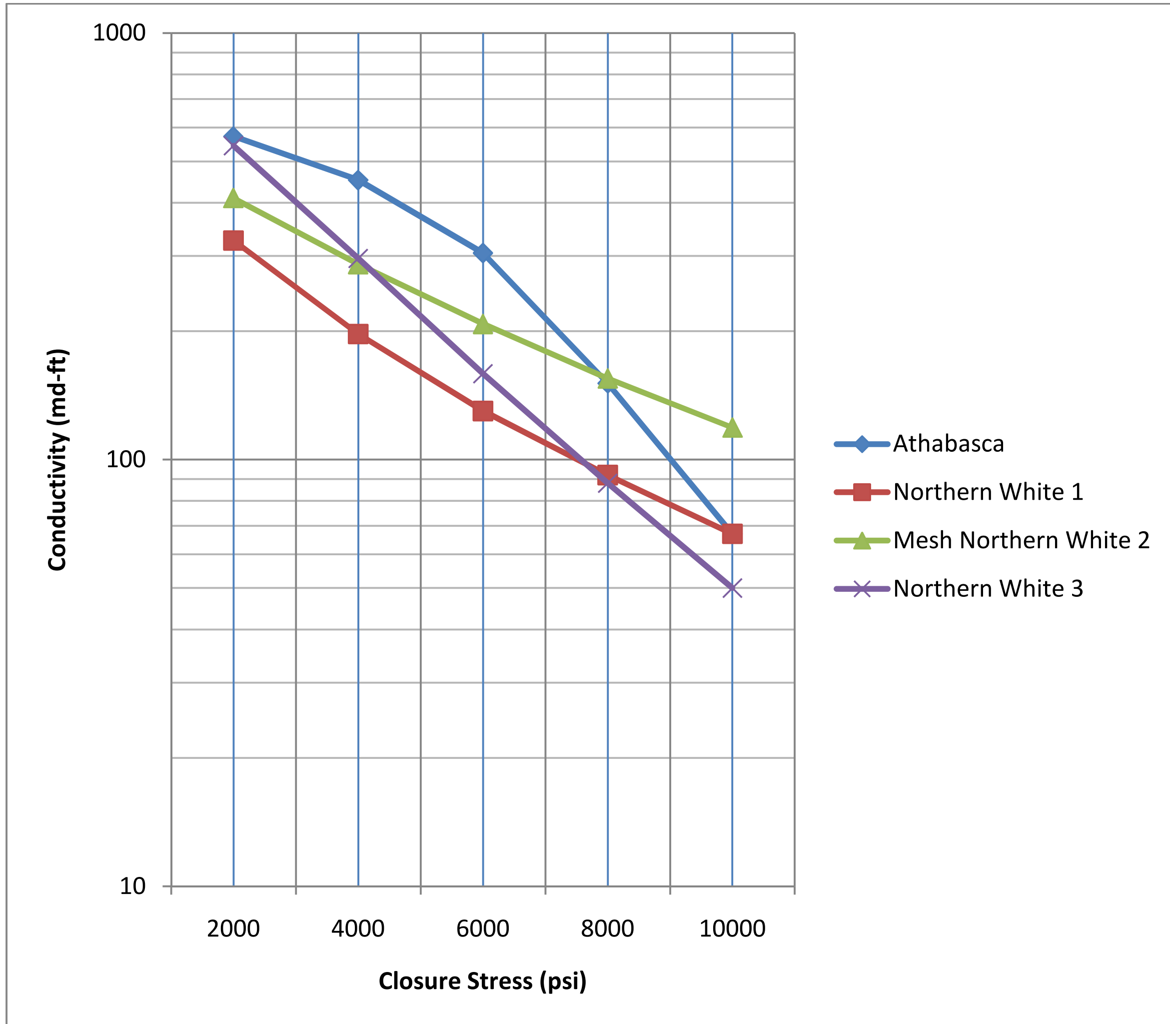
70/140 Frac Sand:

Closure Pressure	Athabasca Sand	Northern White 1	Mesh Northern White 2	Northern White 3
2000	572	326	410	544
4000	452	197	287	296
6000	305	130	208	159
8000	151	92	155	88
10000	67	67	119	50



The Stim-Lab report showed that Athabasca sand test results are within the ranges of the Brady Sand and the Northern White Sand currently used as industry standards in Hydraulic Fracturing Operations, which are very positive indications for our silica sand from the Corporation's Firebag property silica sand deposit.

The Corporation has also identified a substantial deposit of silica sand in the Birch Mountain area 150 kilometers north of Fort McMurray. Analyses of the grab samples performed by Loring Laboratories Ltd., an independent lab, yielded an average of 97.5% SiO_2 content in the raw unwashed state. The deposit lacks road accessibility at present, but ongoing oil sands exploration has pushed ground access closer with each new phase, now within 15 kilometers.

Dolomite

The Corporation has identified a location that appears to contain a significant dolomite resource. Dolomite is used extensively as construction aggregate and is a source of magnesium. To date the Corporation has not completed studies to determine the size of the near surface dolomite and whether there is sufficient mineable quantity to support the needs of the oil sands industry and other infrastructure projects in the Fort McMurray region. More exploration for dolomite is planned for the third quarter of 2011.

E. SUMMARY OF QUARTERLY RESULTS

	Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended
	May 31/11	**Feb 28/11**	**Nov 30/10**	**Aug 31/10**
Revenue	$2,371,573	$1,348,330	$4,711,823	$3,559,303
Interest and Miscellaneous Income (Expense)	$664	$(21,782)	$17,759	$18,328
Work camp income	$44,559	$Nil	$Nil	$Nil
Net Income and Comprehensive Income	$350,761	$20,405	$1,309,855	$819,938
Basic and Diluted Net Income Per Share	$.01	$0.00	$0.05	$0.03
Total Assets	$17,893,504	$17,932,606	$18,680,984	$17,160,292
Resource Properties	$4,863,715	$3,552,085	$3,445,276	$3,340,398

	Three Months Ended	Three Months Ended	Three Months Ended	Two Months Ended
	May 31/10	**Feb 28/10**	**Nov 30/09**	**Aug 31/09**
Revenue	$1,763,173	$1,086,134	$3,988,031	$3,099,387
Interest and Miscellaneous Income	$6,846	$6,552	$6,678	$5,676
Work camp income	$Nil	$Nil	$Nil	$Nil
Net Income (Loss) and Comprehensive Income (Loss)	$(300,716)	$(147,269)	$820,854	$763,266
Basic and Diluted Net Income (Loss) Per Share	$(.01)	$(0.01)	$0.03	$0.03
Total Assets	$16,702,511	$17,369,475	$18,467,100	$17,309,621
Resource Properties	$3,211,004	$3,140,072	$2,999,617	$2,835,725

The Corporation derives a significant portion of its revenues from producing various types of aggregates in Northern Alberta. The ability to remove gravel from its gravel pits is hampered by cold and wet weather conditions. As a result, winter and spring are traditionally the slowest time for the Corporation.

F. OUTLOOK

The Corporation views the recent focus on infrastructure in Northern Alberta as extremely positive in achieving its corporate goals. These spending programs will result in road construction and maintenance in addition to major projects such as public infrastructure facilities. In combination with the public sector spending, the global economy appears to be improving, which should result in additional major projects undertaken by private sector companies. A number of additional oil sands entities have commenced exploration and production in the Fort McMurray region, which further enhances the demand for aggregates required for construction and roads.

It is anticipated that existing oil sands activities of Suncor, Syncrude and Shell, and new oil sands development such as the Kearl Project of Imperial Oil and the entry of Sinopec of China into the oil sands industry, will continue to support the Fort McMurray region. Recent announcements from Canadian Natural Resources Ltd., Total, and ConocoPhillips that they will increase spending to improve their oil sands production are expected to strengthen the existing Alberta economy and aggregate demand. As well, Husky Energy and BP PLC recently announced their joint venture of the $2.5 billion Sunrise project, with conceptual work for phase 2 to begin in 2011.

Aggregate Management

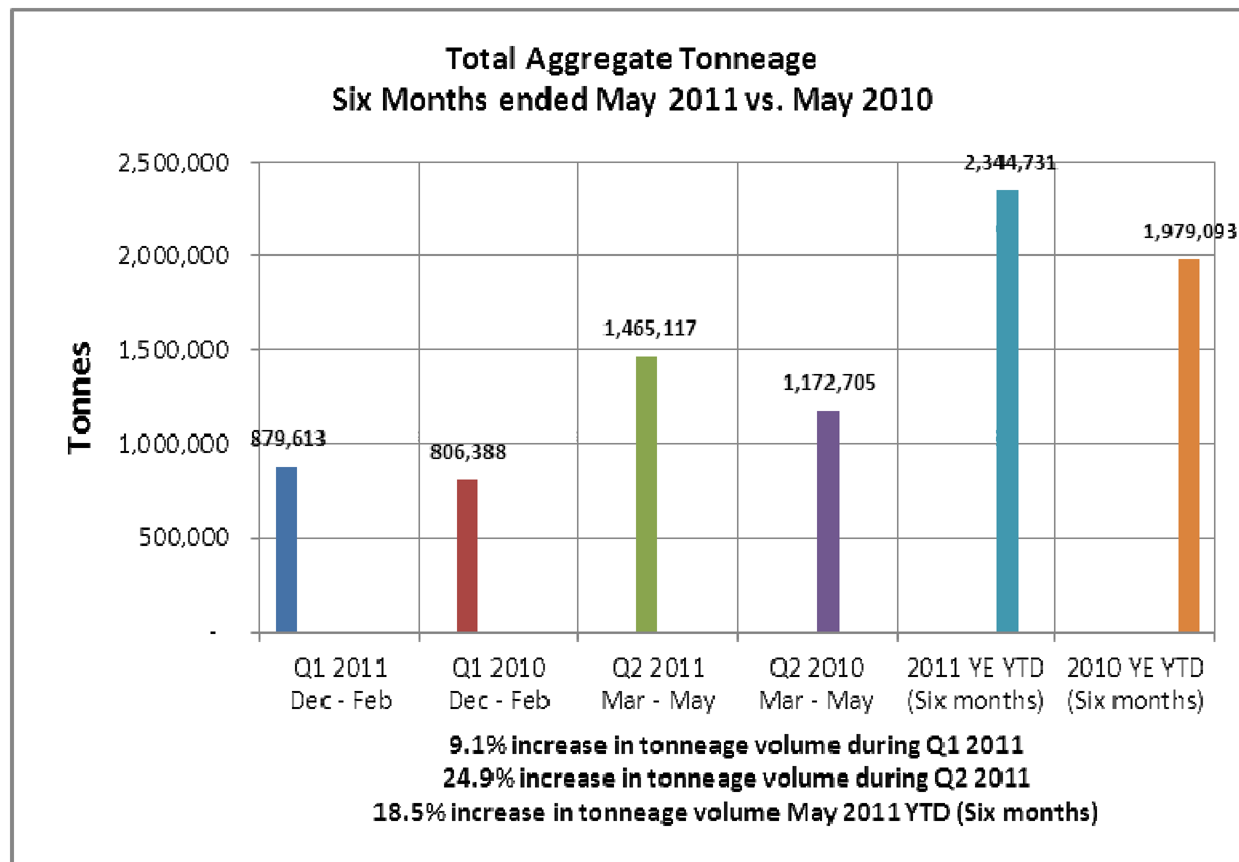
The volume of aggregate extracted from the two aggregate operations is subject to the demands of oil sands and construction companies in the Wood Buffalo and surrounding regions, which is dependent upon a number of factors. These factors include oil price, labour costs, government infrastructure spending, major (greater than $5 million) and minor construction project requirements, weather and road quality.

The Corporation determines demand for the year by discussing expected aggregate requirements with its major customers. On March 1, 2011 the Corporation announced a forecast demand for aggregates for fiscal year 2011 to be approximately 7.5 million tonnes. Management of the Corporation is of the opinion the forecast demand remains on schedule.

In the first quarter of 2011, the Corporation sold 879,613 tonnes of aggregate, of which 879,236 tonnes were from Susan Lake and 377 tonnes from Poplar Creek.

In the second quarter of 2011, the Corporation sold 1,465,117 tonnes of aggregate, of which 1,458,400 tonnes were from Susan Lake and 6,717 tonnes from Poplar Creek.

The table below compares aggregate sales during the first six months of fiscal years 2011 versus 2010. After six months of activity, 2011 aggregate sales exceeded 2010 sales by 18.5%. During the first quarter of 2011, the combined demand for aggregates from the Susan Lake and the Poplar Creek aggregate operations increased by 9.1% over the first quarter of fiscal year 2010. During the second quarter of 2011, demand for aggregates from the Susan Lake and the Poplar Creek aggregate operations increased by 24.9% over the second quarter of 2010. With recent announcements from various oil sands companies to increase their production, it is anticipated that the demand for aggregates will remain strong.



Other Aggregate Resources

The retail price of aggregate is made up of a number of components including extraction and processing costs, haul distance, quality of aggregate, and order volume.

The largest component in the price of aggregate is transportation. Pits become more competitive the closer they are to the job. Aggregate sales from Susan Lake have been transported as far away as two hundred kilometers. This bodes well for the new areas the Corporation is developing. The Logan pit is much closer to numerous oil sand developments south of Fort McMurray. The Kearl pit is located approximately 60 kilometers east of the Susan Lake aggregate operation and in the immediate vicinity of major oil sands operations surrounding the project area.

Public Land

The Corporation intends to continue with aggregate exploration programs throughout 2011. If these sites prove to contain sufficient quantity and quality of aggregates, the Corporation will proceed with obtaining approval for the Surface Material Lease Applications.

Private Land

The Corporation will continue to look for a market and customers for the Warrensville pit throughout 2011. Since there are other gravel pits in the area, competing for the same market, a concerted effort will be required to bring the Warrensville pit into production.

Mineral Properties

The Corporation continually assesses its mineral exploration program.

Increased demand for oil and gas has driven producing companies to stimulate older wells to increase production. One of the methods is hydrofracing, where a combination of frac sand, a viscous gel and other chemicals are forced down the well to prop open fractures. The frac sand used must be high in silica content, well rounded, clean of other minerals and impurities, fine, medium to coarse grain and mineable.

The Corporation has conducted further exploration and independent testing of its silica sand properties during fiscal 2011. During the third quarter of 2011, the Corporation announced highly reputable, independent laboratory test results were received. These results demonstrate the proppant quality of its Firebag property silica sand compares favorably to the frac sand specifications as set by the American Petroleum Institute (API). The Corporation will pursue development and marketing of opportunities with companies interested in utilizing its high quality silica sand resources.

Dolomite continues to be a mineral of interest to the Corporation for development within our permit areas, with more exploration planned for the third quarter of the 2011 fiscal year.

Currently, the Province of Alberta is reviewing regional land use for the Lower Athabasca area that will impact on mineral activities in the area. A plan has been drafted, known as the Lower Athabasca Regional Plan (LARP), which will identify and set resource and environmental management protocols with respect to air, land, water, and biodiversity, and will guide future resource decisions while considering social and economic impacts. Permit approval of area properties is not expected before the review process has been completed.

The Lower Athabasca area includes several of the Corporation's properties that are proposed for or presently under active exploration. The government has indicated that it will consider extending the expiry date for permit holdings to allow for completion of assessment work where the work was delayed as a result of the review process.

The Corporation is suspending further mineral exploration in the area until the results of the LARP process are made public.

G. OPERATING RESULTS

	Six Months Ended May 31, 2011	Six Months Ended May 31, 2010
Aggregate Management Fee Revenue	$3,719,902	$2,849,308
Royalties	$1,032,203	$805,206
Aggregate Management Fee Revenue, net of Royalties	$2,687,699	$2,044,102
Aggregate Management Operating Expenses		
Stripping and clearing expenses	$Nil	$322,284
Other aggregate Management Operating Expenses	$571,313	$478,313
Expenses (Income)		
Amortization and accretion	$549,862	$561,844
General and administrative	$636,469	$682,088
Interest on callable debt	$129,835	$144,059
Work camp income	($44,559)	$Nil
Stock based compensation	$89,787	$79,699
Interest	$(4,215)	$(13,398)
Miscellaneous	$19,188	$Nil
Write down of resource properties and exploration costs	$1,250	$65,354

Revenues for the three months ended May 31, 2011 have increased by 34.5% to $2,371,573 from $1,763,173 for the three months ended May 31, 2010. The sale of aggregate increased by 24.9%, with 1,465,117 tonnes sold in the three months ended May 31, 2011 compared with 1,172,705 tonnes sold in the three months ended May 31, 2010.

Revenues for the six months ended May 31, 2011 have increased by 30.6% to $3,719,902 from $2,849,308 for the six months ended May 31, 2010. The sale of aggregate increased by 18.5%, with 2,344,731 tonnes sold in the six months ended May 31, 2011 compared with 1,979,093 tonnes sold in the six months ended May 31, 2010.

Aggregate management operating expenses for the three months ended May 31, 2011 were $271,447 representing a decrease of 54.2% from $592,905 for the three months ended May 31, 2010. The decrease is attributed to no stripping and clearing expense during the second quarter, whereas there had been $322,284 in stripping and clearing expenses during the three months ended May 31, 2010.

Aggregate management operating expenses for the six months ended May 31, 2011 were $571,313 representing a decrease of 28.6% from $800,597 for the six months ended May 31, 2010. The decrease is attributed to no stripping and clearing expense during the period, whereas there had been $322,284 in stripping and clearing expenses during the six months ended May 31, 2010. All other aggregate management operating expenses had risen by $93,000 during the six months ended May 31, 2011 (to $571,313 from $478,313). The cost increase is primarily due to an increase in the cost of supply materials, transportation, and labor costs during the six months ended May 31, 2011 compared to the corresponding prior period. As a percentage of sales, all other aggregate management operating expenses decreased by 1.4% for six months ended May 31, 2011, compared to the six months ended May 31, 2010 (15.4% compared to 16.8%).

General and administrative expenses for the three months ended May 31, 2011 have increased 17.2% to $357,641 from $305,256 for the three months ended May 31, 2010. The increase is primarily due to increased repairs and maintenance, legal fees, and other dues and fees in the three months ended May 31, 2011.

General and administrative expenses for the six months ended May 31, 2011 have decreased 6.7% to $636,469 from $682,088 for the six months ended May 31, 2010. The net decrease is primarily due to reduced consulting, audit fees, and letter of credit fees, while partially offset by increased payroll costs, repairs and maintenance and utilities in the six months ended May 31, 2011.

Interest expense was $62,824 for the three months ended May 31, 2011 down from $70,453 for the three months ended May 31, 2010. The decrease is due to lower loan balances through principal repayment but is partially offset by increased interest rates during the second quarter of 2011 compared to 2010.

Interest expense was $129,835 for the six months ended May 31, 2011 down from $144,059 for the six months ended May 31, 2010. The decrease is due to lower loan balances through principal repayment but is partially offset by increased interest rates during the six months ended May 31, 2011 compared to 2010.

Interest income from cash on deposit and short-term investment for the three months ended May 31, 2011 totalled $2,085 as compared to $6,846 for the three months ended May 31, 2010. The decrease in interest income results from a lower interest rate received on the short term investment and a reduced balance of cash on deposit.

Interest income from cash on deposit and short-term investment for the six months ended May 31, 2011 totalled $4,215 as compared to $13,398 for the six months ended May 31, 2010. The decrease in interest income results from a lower interest rate received on the short term investment and a reduced balance of cash on deposit.

Work camp income for the three months and six months ended May 31, 2011 totalled $44,559 as compared to $Nil for the three months and six months ended May 31, 2010. The work camp operation became effective during late March, 2011.

During the three months ended May 31, 2010, the Corporation wrote off mineral permits totalling $48,345 (three months ended May 31, 2011- $Nil) and wrote down exploration costs totalling $4,580 (three months ended May 31, 2011- $Nil).

During the six months ended May 31, 2011, the Corporation wrote off mineral permits totalling $1,250. During the six months ended May 31, 2010, the Corporation wrote off mineral permits totalling $48,345 and wrote down exploration costs totalling $17,009 (six months ended May 31, 2011- $Nil).

During the three months ended May 31, 2011, the Corporation recorded a net income and comprehensive income of $350,761 (+$0.01 per share) compared to a loss and comprehensive loss of $(300,716) (-$0.01 per share) for the three months ended May 31, 2010. The increase in net income is primarily attributed to a net increase of $470,222 in aggregate sales net of royalties, a reduction in stripping and clearing expense of $322,284, and work camp initial income of $44,559. This was partially offset by a $52,385 increase in general and administrative expenses and increased income taxes of $179,549 compared to the three months ended May 31, 2010.

During the six months ended May 31, 2011, the Corporation recorded a net income and comprehensive income of $371,166 (+$0.01 per share) compared to a loss and comprehensive loss of $(447,985) (-$0.02 per share) for the six months ended May 31, 2010. The increase in net income is primarily attributed to a net increase of $643,597 in aggregate sales net of royalties, a reduction in stripping and clearing expense of $322,284, a $45,619 reduction in general and administrative expenses and work camp initial income of $44,559. This was partially offset by an increase in all other aggregate management operating expenses of $93,000 and increased income taxes of $195,759 compared to the six months ended May 31, 2010.

H. OPERATING ACTIVITIES

Cash flow from operating activities for the three months ended May 31, 2011 was $306,486 as compared to $(820,563) for the three months ended May 31, 2010, an increase of $1,127,049. Various factors accounted for the net increase. Net income adjusted for non-cash items was $895,003 for the three months ended May 31, 2011 compared to $166,852 for the three months ended May 31, 2010, an increase of $728,151. Cash in the amount of $465,667 was saved through an increase in the balance owed in accounts payable and accrued liabilities in the three months ended May 31, 2011, whereas $51,041 was used for that purpose in the three months ended May 31, 2010.

Cash was preserved in the three months ended May 31, 2011 as there had been no expenditure on prepaid stripping costs during the period, whereas there had been an expenditure of $234,305 during the same period in the prior year. Cash was further preserved in the three months ended May 31, 2011 as there had been a $218,558 reduction in prepaid expense during the period, whereas there had been an expenditure of $36,876 during the same period in the prior year.

Partially offsetting the cash saved from the aforementioned was cash used toward funding taxes. During the three months ended May 31, 2011 cash was used to pay taxes payable in the amount of $669,390 compared to only $1,368 in the corresponding prior period. During the three months ended May 31, 2011 cash in the amount of $305,447 was used as installment toward year end taxes compared to only $108,000 in the corresponding prior period. As well, during the three months ended May 31, 2011 the level of accounts receivable had increased by $297,905, whereas there was an increase in accounts receivable in the amount of $555,825 in the three months ended May 31, 2010.

Cash flow from operating activities for the six months ended May 31, 2011 was $1,684,935 as compared to $(606,947) for the six months ended May 31, 2010, an increase of $2,291,882. Various factors accounted for the net increase. Net income adjusted for non-cash items was $1,231,725 for the six months ended May 31, 2011 compared to $373,983 for the six months ended May 31, 2010, an increase of $857,742. During the six months ended May 31, 2011 the level of accounts receivable had decreased by $1,164,588, whereas there was only a reduction in accounts receivable in the amount of $275,870 in the six months ended May 31, 2010. Cash in the amount of $201,727 was saved through an increase in the balance owed in accounts payable and accrued liabilities in the six months ended May 31, 2011, whereas $513,939 was used to reduce the balance in the six months ended May 31, 2010. Cash was preserved in the six months ended May 31, 2011 as there had been no expenditure on prepaid stripping costs during the period, whereas there had been an expenditure of $509,026 during the same period in the prior year. Cash was further preserved in the six months ended May 31, 2011 as there had been a $93,251 reduction in prepaid expense during the period, whereas there had been an expenditure of $84,078 during the same period in the prior year. Partially offsetting the cash saved from the aforementioned was cash used toward funding taxes. During the six months ended May 31, 2011 cash was used to pay taxes payable in the amount of $700,909 compared to only $41,757 in the corresponding prior period. As well, during the six months ended May 31, 2011 cash in the amount of $305,447 was used as installment toward year end taxes compared to $108,000 in the corresponding prior period.

I. INVESTING ACTIVITIES

Investing activities for the three month periods ending May 31, 2011 and 2010 are as follows.

	Three Months Ended May 31, 2011	Three Months Ended May 31, 2010
Purchase of property and equipment	$(13,324)	$Nil
Resource properties	$(1,311,629)	$(123,857)
Total	$(1,324,953)	$(123,857)

During the three months ended May 31, 2011 the Corporation incurred resource property net expenditures $1,311,629 as compared to $123,857 for the three months ended May 31, 2010. This resulted from increased exploration and development investment in its mineral properties by $1,132,989, in its work camp investment by $175,515 (net of amortization expense of $16,047), and from funding additional minerals properties applications in the amount of $3,125. During the three months ended May 31, 2010, the Corporation increased exploration investment in its mineral properties by $100,694 and funded additional minerals properties applications in the amount of $23,163.

J. FINANCING ACTIVITIES

	Three Months Ended May 31, 2011	Three Months Ended May 31, 2010
Repayment of callable debt	$(460,063)	$(452,313)

K. LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2011, the Corporation had a reported working capital deficit of $1,945,732. Despite the repayment terms extending over five years, the callable debt has been classified as a current liability due to the demand feature of the loans. As at May 31, 2011 the Corporation is in compliance with the lender's financial covenants. The lender removes the callable debt when calculating working capital for loan covenant purposes which results in working capital of $2,857,872 for that purpose.

Management expects to repay the callable debt over the scheduled repayment period. As the Corporation is in compliance with the lender's covenants, management is unaware of any condition that would indicate the lender will demand immediate repayment of the callable debt. Working capital as calculated by the lender is sufficient for the Corporation to meet its obligations as they come due. Should the bank demand immediate repayment, the Corporation believes it has sufficient resources through internally generated cash flows or alternative sources of financing to satisfy the demand.

The Corporation has no formal commitments for capital expenditures, but 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 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 July 27, 2011 the Corporation holds mineral permits covering 325,917 hectares. The Corporation has spending commitments totaling approximately $843,000 in fiscal 2011, $983,000 in fiscal 2012 and $1,440,000 in fiscal 2013 to retain the Corporation's mineral permits held at July 27, 2011.

In managing the exploration permits, the Corporation 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 reduced 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.

L. CONTRACTUAL OBLIGATIONS

As at May 31, 2011, the Corporation's contractual obligations are as follows:

		Payments Due by Period			
	Total	Less than one year	2-3 years	4-5 years	After 5 Years
Callable debt	$4,803,604	$1,840,250	$2,922,021	$41,333	$nil

M. OUTSTANDING SHARE DATA

Athabasca is authorized to issue an unlimited number of common shares. The following details the common shares outstanding and securities that are convertible into common shares as at July 27, 2011:

Number of Common Shares Outstanding	27,067,499
Number of Stock Options Outstanding	2,512,433

The Corporation had 2,512,433 outstanding options with the following exercise prices and expiry dates:

Number	**Exercise Price**	**Expiry Date**
955,767	$0.40	January 8, 2012
150,000	$0.26	October 15, 2012
75,000	$0.40	May 13, 2013
575,000	$0.25	September 21, 2014
100,000	$0.40	October 15, 2014
100,000	$0.40	November 2, 2014
556,666	$0.26	October 15, 2015
2,512,433		

A total of 2,085,767 options were exercisable at a weighted average of $0.34.

N. RELATED PARTY TRANSACTIONS

During the three months ended May 31, 2011 the Corporation incurred expenses of $138,622 (May 31, 2010 - $136,915) for services provided by certain directors and officers and certain companies controlled by certain directors and officers of the Corporation.

During the six months ended May 31, 2011 the Corporation incurred expenses of $262,112 (May 31, 2010 - $333,006) for services provided by certain directors and officers and certain companies controlled by certain directors and officers of the Corporation.

These fees are recorded in the financial statements as follows:

	For the Three Months Ended May 31, 2011	For the Three Months Ended May 31, 2010	For the Six Months Ended May 31, 2011	For the Six Months Ended May 31, 2010
	(Unaudited)		(Unaudited)	
Directors and Officers:				
Directors fees and expenses	$ 6,889	$ 2,539	$ 9,139	$ 7,273
Travel and miscellaneous	12,570	11,604	16,972	17,669
Exploration and development costs	256	334	256	334
	19,715	14,477	26,367	25,276
Companies controlled by directors and officers:				
Consulting fees for services rendered	94,407	101,063	191,699	252,133
Travel and miscellaneous	2,909	329	5,960	752
Exploration and development costs	6,591	6,046	8,086	12,216
Interest	-	-	-	296
Letter of credit Fees	-	-	-	13,333
Rent	15,000	15,000	30,000	29,000
	118,907	122,438	235,745	307,730
	$ 138,622	136,915	$ 262,112	333,006

There is $27,208 related to these expenses recorded in accounts payable and accrued liabilities at May 31, 2011 (May 31, 2010 - $nil).

During the six months ended May 31, 2011 there was $nil promissory note (May 31, 2010 - $4,000) repayment to directors and officers and $nil promissory notes repayment (May 31, 2010 - $44,000) to companies controlled by directors and officers. As at May 31, 2011 the promissory notes have been fully repaid.

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

O. FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards

The Canadian Accounting Standards Board (ACSB) announced in 2008 that for fiscal years commencing on or after January 1, 2011, all publicly accountable enterprises are required to report their financial results using IFRS as issued by the International Accounting Standards Board (IASB). IFRS uses a conceptual framework similar to Canadian Generally Accepting Accounting Principles (GAAP) but there are some differences in recognition, measurement and disclosures.
The first reporting period Athabasca Minerals Inc. will use IFRS will be for the year ended November 30, 2012, however, to be compliant with IFRS the Corporation will be required to prepare interim and annual financial statements with comparative numbers for the prior year. As a result, the Corporation will require the restatement for comparative purposes the amounts reported by Athabasca for each of the quarters in fiscal 2011 and for the year ended November 30, 2011. IFRS also requires the converted opening balance sheet as of December 1, 2010, the Corporation's date of transition to IFRS, be subject to audit. The conversion to IFRS from Canadian GAAP is a significant undertaking. The process will involve completion of successive phases, as follows: scoping and diagnostic, analysis and development, initial application, and implementation and reporting. The Corporation has commenced its conversion to IFRS, led by the Corporation's Chief Financial Officer, and supported by the Corporation's skilled IFRS service providers.

A high level review of key accounting policy differences between Canadian GAAP and IFRS indicates to the Corporation that areas most affected by the transition to IFRS are likely to be:

- First time adoption of International Financial Reporting Standards
- Impairment of assets
- Stock based compensation
- Income taxes
- Asset retirement obligations
- Stripping costs
- Property and equipment
- Related party disclosures

The Corporation recognizes there will be a significant increase in disclosure resulting from the adoption of IFRS and compliance with the new reporting standards will impact the Corporation's financial reporting. The Corporation's business processes, internal controls and information systems will be evaluated for potential related impact and modification. The compulsory use of IFRS could materially impact future reported earnings and recognized values of assets and liabilities. It is anticipated the Corporation's incremental costs of compliance with IFRS reporting standards may be significant.

P. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accounts receivable, short-term investment, accounts payable and accrued liabilities, and callable debt.

a) Fair Value

Due to the short-term nature of cash, accounts receivable, and accounts payable and accrued liabilities the carrying value of these financial instruments approximate their fair value. The fair value of callable debt, long-term debt and short-term investment approximates their carrying values as they are at the market rate of interest.

b) Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash, short-term investment and accounts receivable. The Corporation's maximum credit risk at May 31, 2011 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 May 31, 2011, 79.6% of the Corporation's accounts receivable was receivable from four customers.

The Corporation's aged accounts receivable are comprised of 57.1% current, 27.5% past due up to 60 days and 15.4% past due over 60 days. While certain amounts are past due, management considers there is no impairment of the accounts receivable.

Credit risk associated with cash and short-term investment is minimized substantially by ensuring that these financial assets are placed with major financial institutions that have been accorded a strong investment grade rating.

c) Liquidity Risk

The Corporation manages liquidity risk by ensuring sufficient funds are available to meet liabilities when they come due. Under its long-term credit facilities, the Corporation must maintain certain ratios. The Corporation has complied with all ratios as at May 31, 2011 however the credit facilities are due on demand. The demand feature of the credit facilities increases the Corporation's liquidity risk as the bank could demand repayment. Management has assessed this risk and believes that it has sufficient capital through internally generated cash flows or alternate sources of financing to mitigate this risk.

As at May 31, 2011 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 and callable loans. In aggregate the contractual maturities and amount due at maturity by fiscal year for these financial liabilities are as follows:

Year 1	$ 5,876,610

The Corporation expects the callable loans will be repaid in monthly amounts, however, the balance of $4,803,604 has been reported above as the lender has the right to demand at any time.

The Corporation's existing credit facilities and cash flow from operating activities is expected to be greater than anticipated capital expenditures and the contractual maturities of the Corporation's financial liabilities for 2011. 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 has no exposure to foreign currencies as the Corporation's business is conducted in Canadian dollars.

e) Interest Rate Risk

The Corporation has an interest bearing term deposit and carries variable rate debt financing. Given the interest rate is fixed on the term deposit, the Corporation is not exposed to any interest rate risk on this financial instrument. However, the Corporation is exposed to interest rate risk on the variable rate callable loans. A 100 basis point increase in interest rate on the callable loans would decrease net income and comprehensive income by approximately $35,000.

The Corporation's bank loans bear interest at 1.875% and 2% over the bank prime lending rate. As the bank prime lending rate fluctuates so will the cost of borrowing. While exposed to interest rate risk in the short term, the Corporation has the ability to convert the variable rate financing to fixed rate financing on the demand loan bearing the bank's prime lending rate plus 1.875%, due December 31, 2013 thereby significantly reducing the exposure to interest rate risk. Given the ability to convert to a fixed rate bank loan, the Corporation is not exposed to significant interest rate risk.

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

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.

R. 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 "Risk Factors", 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.