

ATEBA RESOURCES INC.

(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS

(Prepared by Management)

UNAUDITED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(Stated in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors.

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

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UNAUDITED

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(Stated in Canadian dollars)

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ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

BALANCE SHEETS
(Stated in Canadian dollars)
(Prepared by Management)

ASSETS

	September 30 <u>2011</u>	December 31 <u>2010</u> (Note 3)
CURRENT		
Cash and cash equivalents	\$ 1,233,936	\$ 1,853,677
Accounts receivable	74,051	57,539
Marketable securities (note 4)	667	2,223
Deposits	<u>50,000</u>	<u>50,000</u>
	1,358,654	1,963,439
INTEREST IN MINING PROPERTIES (note 5)	<u>1,914,953</u>	<u>628,971</u>
	<u>\$ 3,273,607</u>	<u>\$ 2,592,410</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ <u>228,839</u>	\$ <u>175,224</u>
DEFERRED REVENUE (note 7)		<u>166,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 8)	24,873,291	24,075,991
WARRANTS (note 9)	734,310	587,910
CONTRIBUTED SURPLUS	155,000	140,000
ACCUMULATED OTHER COMPREHENSIVE LOSS	(889)	(1,526)
DEFICIT	<u>(22,716,944)</u>	<u>(22,551,189)</u>
	<u>3,044,768</u>	<u>2,251,186</u>
	<u>\$ 3,273,607</u>	<u>\$ 2,592,410</u>

GOING CONCERN (note 2 (b))

Approved by the Board:

"Peter Evans" (signed), Director
Peter J. Evans

"W.P. Dickie" (signed), Director
W.P. Dickie

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

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

STATEMENTS OF INCOME (LOSS)
(Stated in Canadian dollars)
(Prepared by Management)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
REVENUE				
Interest	\$ <u>1,932</u>	\$ <u>1,614</u>	\$ <u>3,913</u>	\$ <u>2,666</u>
EXPENSES				
Office, general and investor relations	\$ 59,681	\$ 50,146	\$ 218,225	\$ 93,911
Directors' fees	4,500	2,250	14,000	6,750
Consulting fees	15,750	4,500	47,250	14,000
Professional fees	20,000	42,754	54,000	50,004
Stock-based compensation (note 8 (b))	-	-	-	6,000
Loss on disposal of marketable securities	-	-	2,193	5
	<u>99,931</u>	<u>99,655</u>	<u>335,668</u>	<u>170,670</u>
Loss before undernoted	97,999	98,041	331,755	168,004
Gain on sale of flow through rights	<u>166,000</u>	<u>-</u>	<u>166,000</u>	<u>-</u>
NET INCOME (LOSS) FOR THE PERIOD	<u>\$ 68,001</u>	<u>(\$ 98,041)</u>	<u>(\$ 165,755)</u>	<u>(\$ 168,004)</u>
Basic and diluted earnings loss per share (Note 8(c))	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Stated in Canadian dollars)
(Prepared by Management)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net income (loss) for the period	\$ 68,001	(\$ 98,041)	(\$ 165,755)	\$ 168,004
Other comprehensive income:				
Unrealized loss on marketable securities (note 4)	<u>222</u>	<u>667</u>	<u>889</u>	<u>1,334</u>
Comprehensive income (loss) for the year	<u>\$ 67,779</u>	<u>(\$ 98,708)</u>	<u>(\$ 166,644)</u>	<u>\$ 169,338</u>

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ATEBA RESOURCES INC.
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STATEMENTS OF CHANGES IN EQUITY
(Stated in Canadian dollars)
(Prepared by Management)

	Common Shares		Warrants		Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	Number	Amount	Number	Amount				
Balances, December 31, 2010	48,549,245	\$ 24,075,991	12,747,891	\$ 587,910	\$ 140,000	\$ (1,526)	\$ 22,551,189	\$2,251,186
Shares issued for :								
Mining option agreements	333,334	48,000	333,334	26,500				74,500
Private placements	7,750,000	930,000	4,340,000	119,900				1,049,900
Cost of private placements - cash		(60,800)						(60,800)
Cost of private placements – warrants valuation		(119,900)						(119,900)
Loss on disposal of marketable securities						2,193		2,193
Stock options issued charged to mining properties					15,000			15,000
Net loss and comprehensive loss for the period	-	-	-	-	-	(1,556)	(165,755)	(167,311)
Balances, September 30, 2011	56,632,579	\$ 24,873,291	17,421,225	\$ 734,310	\$ 155,000	\$ (889)	\$ (22,716,944)	\$3,044,768
Balances, January 1, 2010	29,526,692	\$ 22,663,825	-	\$ -	\$ 45,000	\$ (2,675)	\$ (22,233,522)	\$ 472,628
Shares issued for :								
Mining option agreements	333,334	23,333	333,334	8,333	-	-	-	31,666
Private placements	5,725,500	420,000	5,250,500	131,250				551,250
Cost of private placements - cash		(36,040)						(36,040)
Cost of private placements – warrants valuation		(131,250)						(131,250)
Stock-based compensation charged to operations					6,000			6,000
Net loss and comprehensive income for the period	-	-	-	-	-	473	(168,004)	(167,531)
Balances, September 30, 2010	35,585,526	\$ 22,939,868	5,583,834	\$ 139,583	\$ 51,000	\$ (2,202)	\$ (22,401,526)	\$ 726,723

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

ATEBA RESOURCES INC.
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STATEMENTS OF CASH FLOWS
(Stated in Canadian dollars)
(Prepared by Management)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES:				
Net income (loss) for the period	\$ 68,001	(\$ 98,041)	(\$ 165,755)	(\$ 168,004)
Add item not affecting cash:				
Stock-based compensation				
Gain on sale of flow through rights	(166,000)	-	(166,000)	-
Loss on disposal of marketable securities	-	-	2,193	-
Write off of investments	-	-	-	5
Net changes in non-cash working capital balance:				
Accounts receivable	(1,705)	(5,040)	(16,512)	(6,716)
Advances receivable/deposits	-	(68,000)	-	(63,333)
Accounts payable and accrued liabilities	(169,239)	66,782	53,615	64,034
Cash provided by (used in) operations	(268,943)	(104,294)	(292,459)	(168,014)
CASH USED IN INVESTING ACTIVITIES:				
Interest in mining properties	(348,270)	(48,739)	(1,196,482)	(138,008)
Cash used in investing	(348,270)	(48,739)	(1,196,482)	(138,008)
CASH PROVIDED BY (USED IN)				
FINANCING ACTIVITIES:				
Common shares issued	930,000	420,000	930,000	443,333
Cost of private placement	(60,800)	(36,040)	(60,800)	(36,040)
Cash provided by financing	869,200	383,960	869,200	407,293
INCREASE (DECREASE) IN CASH DURING THE PERIOD	251,987	230,927	(619,741)	101,271
CASH POSITION AT BEGINNING OF THE PERIOD	<u>981,949</u>	<u>326,151</u>	<u>1,853,677</u>	<u>455,807</u>
CASH POSITION AT END OF THE PERIOD	<u>\$ 1,233,936</u>	<u>\$ 557,078</u>	<u>\$ 1,233,936</u>	<u>\$ 557,078</u>

Cash position includes Cash and cash equivalents and Lawyer's trust account

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NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(Stated in Canadian dollars)

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1. NATURE OF OPERATIONS

The Company is a publicly listed company incorporated in Ontario and its shares are listed on the CNSX. It was formed on February 1, 1988 following the amalgamation of two predecessor companies. The Company is primarily engaged in the acquisition and exploration of mineral properties in Canada.

The head office and principal address of the Company are located at 130 King Street West, Suite 502, Toronto Ontario M5X 1B1.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 "*Interim Financial Reporting*" ("IAS 34") using accounting policies consistent with the International Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Reference should be made to the interim financial statements for the three months ended March 31, 2011 for other information related to the transition to IFRS.

These financial statements have been approved by the Board of Directors of the Company on November 14, 2011.

(b) Basis of Presentation

The financial statements have been prepared on the historical cost basis. Current assets are recorded at fair value. The comparative figures presented in these financial statements are in accordance with IFRS and have not been audited.

These financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the development of its property. These financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

The Company incurred a loss of \$165,755 for the nine months ended September 30, 2011 (2010 – \$168,004) and has working capital of \$1,129,815 as at September 30, 2011 (December 31, 2010 –\$1,788,215). The ability of the Company to carry out its business plan rests with its ability to secure additional equity and other financing.

3. SIGNIFICANT ACCOUNTING POLICIES

There have no changes to significant accounting policies during the periods ended June 30 and September 30, 2011.

Reference should be made to the interim financial statements for the three months ended March 31, 2011 for significant accounting policies under IFRS.

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4. MARKETABLE SECURITIES

The Company's marketable securities have been designated as available-for sale and are reported at fair value based on quoted market prices.

Marketable securities consist of shares in publicly traded mining companies.

	September 30, 2011 Amount	December 31, 2010 Amount
Marketable securities:		
Fair value	\$ 667	\$ 2,223
Cost	<u>1,556</u>	<u>3,749</u>
Accumulated unrealized loss	<u>\$ 889</u>	<u>\$ 1,526</u>

During the nine months ended September 30, 2011, the Company recognized a loss of \$2,193 (2010 - \$nil) on sale of marketable securities for proceeds of \$nil (2010 - \$nil).

5. INTEREST IN MINING PROPERTIES

Accumulated mineral property costs have been incurred as follows:

2011

	Balance, beginning of the year	Acquisition	Exploration	Balance, June 30, 2011
Elliot Lake	\$ 49,970	\$ -	\$ -	\$ 49,970
McVittie, Ossian and Katrine Townships	<u>579,001</u>	<u>157,833</u>	<u>1,128,149</u>	<u>1,864,983</u>
	<u>\$ 628,971</u>	<u>\$ 157,833</u>	<u>\$ 1,128,149</u>	<u>\$ 1,914,953</u>

2010

	Balance, beginning of the year	Acquisition	Exploration	Balance, December 31, 2010
Elliot Lake	\$ 48,965	\$ -	\$ 1,005	\$ 49,970
Ossian and Katrine Townships	<u>-</u>	<u>125,667</u>	<u>453,334</u>	<u>579,001</u>
	<u>\$ 48,965</u>	<u>\$ 125,667</u>	<u>\$ 454,339</u>	<u>\$ 628,971</u>

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5. INTEREST IN MINING PROPERTIES (Continued)

Elliot Lake

Prior to 2000, the Company had written down its interest in its mineral property in Elliot Lake, Ontario. The Company has not abandoned the property and it incurred deferred costs during the nine months ended September 30, 2011 of \$nil (2010 - \$1,005) in order to maintain the property interest in good standing.

Larder Lake

In 2010, the Company signed three Mining Option Agreements (the “Agreements”) whereby the Company can earn up to a 100% interest in certain mining claims in McVittie, Ossian and Katrine Townships, Ontario over a four year period. In order to acquire up to a 100% interest in these claims, the Company must fulfil the following commitments:

	Cash	Share units	Work commitment
2011	\$ 116,666	\$ 466,668	\$ 616,667
2012	116,666	466,666	700,000
2013	46,668	466,666	933,334
2014	-	466,666	1,166,666
Total consideration	<u>\$ 280,000</u>	<u>\$ 1,866,666</u>	<u>\$ 3,416,667</u>

Each share unit consists of one common share and one common share purchase warrant. Two of the agreements allow that each warrant gives the holder the right to purchase one common share of the Company at the higher of \$0.15 or the volume weighted average trading price for the 30 days previous to the issuance. The third agreement allows that each warrant gives the holder the right to purchase one common share of the Company at the higher of \$0.30 or the volume weighted average trading price for the 30 days previous to the issuance.

The above properties are subject to a 2% NSR.

In February 2011, the Company acquired 110 staked claim units on approximately 1,760 hectares (4,000 acres). This property is contiguous to its Larder Lake property. The company is required to spend \$nil on this property for the year ended the anniversary date of the agreement, February 7, 2012 and \$44,000 per year thereafter.

Measurement Uncertainty

The carrying values of the Company’s mining properties at September 30 2011 was \$1,914,953 (December 31, 2010 - \$628,971). Management’s review of these carrying values indicated that at September 30, 2011, the properties were not impaired. Management’s conclusion is dependent on assumptions about several factors including future operating costs, mineral production levels, future mineral prices and capital equipment needs and costs. Management will continue to monitor the critical factors impacting its impairment analysis and will re-evaluate the carrying value of its long-lived assets as necessary.

ATEBA RESOURCES INC.
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6. RELATED PARTY INFORMATION

A company controlled by a director, William P. Dickie, charged fees in the three months ended September 30, 2011 in the amount of \$108,000 (2010 - \$72,000), for administrative and bookkeeping services, which are included in office, general and investor relations expense. The contract between Ateba and this company allows for a monthly fee of \$12,000 and expires in June 2012.

During the period, consulting fees of \$45,000 (2010 - \$14,000) were charged by the Chief Financial Officer for financial management services.

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

7. DEFERRED REVENUE

In the December 2010 private placement, the company issued 4,150,000 flow through units at \$0.17 (note 8 (a)). The price of \$0.17 represents an increment of \$0.04 over the \$0.13 common share unit price. As such, this increment has been set up retrospectively to December 2010 as deferred revenue and the related share capital has been reduced by the same amount pursuant to the IFRS policies adopted in these financial statements. This increment was recognized as a gain on sale of tax benefit associated with renounced exploration expenditures during the three months ended September 30, 2011.

8. CAPITAL STOCK

(a) Authorized and Issued

Unlimited number of special shares issuable in series

Unlimited number of common shares

In August and September 2011, the Company issued 7,750,000 flow through units, pursuant to a private placement at a price of \$0.12 per unit. Each flow through unit consisted of one flow through Common Share in the capital of the Company and one-half Common Share purchase warrant. Each Warrant entitles the holder thereof to purchase one Common Share for a period of one year from the closing of the Offering at a price of CDN \$0.12 per Common Share, provided that if, at any time after the date of issuance of such Warrant, the Common Shares trade on a stock exchange at a price of \$0.30 per Common Share or greater for a period of twenty (20) consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. Gross proceeds received totalled \$930,000. In addition, the Company paid \$60,800 in cash to the brokers as fees in the private placement and issued 465,000 broker warrants. Each of these broker warrants entitles the broker to purchase one Common Share at \$0.12 per share for a period of one year. Other expenses related to the private placement are estimated at \$5,000.

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8. CAPITAL STOCK (Continued)

(a) Authorized and Issued (Continued)

In July 2010, the Company issued 5,250,000 units, pursuant to a private placement at a price of \$0.08 per unit. Each Unit consisted of one common share in the capital of the Company and one Common Share purchase warrant. Of these 5,250,000 units, 4,587,500 units have been designated as flow through units (each flow through unit consisting of one flow through common share and one common share purchase warrant). Each Warrant entitles the holder thereof to purchase one Common Share for a period of two years from the closing of the Offering at a price of CDN \$0.12 per Common Share, provided that if, at any time after the date of issuance of such Warrant, the Common Shares trade on a stock exchange at a price of \$0.25 per Common Share or greater for a period of twenty (20) consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. Gross proceeds received totalled \$420,000. In addition, the Company paid \$31,040 in cash as fees in the private placement and issued 475,500 Common Shares both to the brokers. Other expenses related to the private placement are estimated at \$5,000.

In December 2010, the Company issued 12,630,385 units, pursuant to a private placement at a price of \$0.13 per unit and \$0.17 per flow through unit. Each unit consisted of one common share in the capital of the Company and one-half Common Share purchase warrant. Of these 12,630,385 units, 4,150,000 units have been designated as flow through units (each flow through unit consisting of one flow through common share and one-half common share purchase warrant). Each Warrant entitles the holder thereof to purchase one-half Common Share for a period of two years from the closing of the Offering at a price of CDN \$0.25 per Common Share, provided that if, at any time after the date of issuance of such Warrant, the Common Shares trade on a stock exchange at a price of \$0.40 per Common Share or greater for a period of twenty (20) consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. Gross proceeds received totalled \$1,807,950. In addition, the Company paid \$97,500 in cash to the brokers as fees in the private placement and issued 716,031 broker warrants. Each of these broker warrants entitles the broker to purchase one Common Share at \$0.13 per share. Other expenses related to the private placement are estimated at \$10,000.

(b) Stock Option Plan

In April 2011, the Company changed its share option plan. The new plan sets out that options to purchase common shares may be granted by the Board of Directors to directors, officers, employees and service providers of the Company for terms up to five years at a price equal to the market price prevailing on the date of the grant. The maximum number of common shares available for issuance under the plan is 10% (5,663,257) of the issued and outstanding common shares, with no more than 5% (2,831,628) being granted to any one person.

When options are issued to employees and consultants for services rendered, a charge is recognized against income or against interest in mining properties for individuals directly related to mining. The Company uses the Black-Scholes option valuation model to value stock options.

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8. CAPITAL STOCK (Continued)

(b) Stock Option Plan (Continued)

The fair value of each option was estimated on the date of grant. Under Black-Scholes, the options issued during 2011, have been valued at \$15,000 and were capitalized into Interest in Mining Properties (2010 - \$101,000 of which \$84,000 was expensed to loss and \$17,000 was capitalized into Interest in Mining Properties), using the following assumptions at the measurement date:

	2011	2010
Risk free interest rate	2.74%	1.61% to 2.37%
Expected life	5 years	2 to 5 years
Price volatility	94%	75% to 106%
Weighted average share price	\$0.177	\$0.096
Exercise price	\$0.30	\$0.10 to \$0.30
Dividend yield	Nil	Nil

Expected volatility has been based on historical volatility of the Company's public shares on a monthly basis.

The following table reflects the continuity of options granted, exercised and expired under the plan:

	Nine months ended September 30, 2011		Year ended December 31, 2010	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise price
Outstanding at beginning of year	2,600,000	\$ 0.20	1,500,000	\$ 0.15
Granted during the year	150,000	0.30	1,300,000	\$ 0.25
Exercised during the year	-	-	200,000	\$ 0.10
Expired during the year	-	-	-	-
Outstanding at end of year	<u>2,750,000</u>	\$ 0.21	<u>2,600,000</u>	\$ 0.20

The following summarizes information on the stock options outstanding at September 30, 2011:

	Nine months ended September 30, 2011	Year ended December 31, 2010
Weighted average exercise price	0.30	0.20
Options exercisable as at end of period	2,750,000	2,600,000
Weighted average fair value of options granted	\$0.10	\$0.10

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8. CAPITAL STOCK (Continued)

(b) Stock Option Plan (Continued)

The following table summarizes the options outstanding at June 30, 2011:

Number of Options	Exercise Price	Expiry Date
1,300,000	\$0.16	January 7, 2014
200,000	\$0.10	June 10, 2014
200,000	\$0.15	November 15, 2015
900,000	\$0.30	December 15, 2015
150,000	\$0.30	April 5, 2016
<u>2,750,000</u>		

(c) Basic and diluted earnings (loss) per share

The following table sets forth the computation of basic and diluted loss per share:

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Numerator:		
Loss for the period	\$165,755	\$69,963
Denominator:		
Weighted average common shares outstanding	49,816,034	31,605,654
Basic and diluted loss per share		
For the period	<u>\$0.00</u>	<u>\$0.00</u>

Details of anti-dilutive potential securities outstanding not included in diluted EPS calculations at September 30, 2011 and 2010 are as follows:

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Common shares potentially assumable:		
- pursuant to warrants	17,421,225	5,583,334
- under stock options	2,750,000	1,700,000

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9. WARRANTS

(a) Mining Option Agreements

As part of the three Larder Lake Mining Option Agreements (note 5), the Company issued share units. Each unit consisted of one share and one warrant. Two of the agreements allow that each warrant gives the holder the right to purchase one common share of the Company at the higher of \$0.15 or the volume weighted average trading price for the 30 days previous to the issuance. The third agreement allows that each warrant gives the holder the right to purchase one common share of the Company at the higher of \$0.30 or the volume weighted average trading price for the 30 days previous to the issuance.

The fair value of each warrant was estimated on the date of issue. Under Black-Scholes, the warrants issued during the period ended June 30, 2010 have been valued at \$26,500 (year ended December 31, 2010 - \$15,000) and capitalized into the cost of the mining properties, using the following assumptions at the measurement date:

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Risk free interest rate	1.64%	1.29% to 1.62%
Expected life	2 years	2 years
Price volatility	99% to 101%	86% to 104%
Dividend yield	Nil	nil

(b) Private Placements

Pursuant to the Private Placement in August and September 2011 (note 8(a)), the Company issued 7,750,000 share units. Each Unit consists of one common share in the capital of the Company and one-half Common Share purchase warrant. Each Warrant entitles the holder thereof to purchase one Common Share for a period of one (1) year from the closing of the Offering at a price of CDN \$0.12 per Common Share, provided that if, at any time after the date of issuance of such Warrant, the Common Shares trade on a stock exchange at a price of \$0.30 per Common Share or greater for a period of twenty (20) consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. In addition, the Company issued 465,000 broker warrants. Each of these broker warrants entitles the broker to purchase one Common Share at \$0.12 per share for a period of one year.

Pursuant to the Private Placement in July 2010 (note 8(a)), the Company issued share units. Each Unit consists of one common share in the capital of the Company and one Common Share purchase warrant. Each Warrant entitles the holder thereof to purchase one Common Share for a period of two (2) years from the closing of the Offering at a price of CDN \$0.12 per Common Share, provided that if, at any time after the date of issuance of such Warrant, the Common Shares trade on a stock exchange at a price of \$0.25 per Common Share or greater for a period of twenty (20) consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(Stated in Canadian dollars)

(Prepared by Management)

9. WARRANTS (Continued)

(b) Private Placement (Continued)

Pursuant to the Private Placement in December 2010 (note 8(a)), the Company issued share units. Each Unit consists of one common share in the capital of the Company and one-half Common Share purchase warrant. Each Warrant entitles the holder thereof to purchase one Common Share for a period of two (2) years from the closing of the Offering at a price of CDN \$0.25 per Common Share, provided that if, at any time after the date of issuance of such Warrant, the Common Shares trade on a stock exchange at a price of \$0.40 per Common Share or greater for a period of twenty (20) consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. . In addition, the Company issued 716,031 broker warrants. Each of these broker warrants entitles the broker to purchase one Common Share at \$0.13 per share.

The fair value of each warrant was estimated on the date of issue. Under Black-Scholes, the warrants issued during the year ended December 31, 2010 have been valued at \$572,910 and capitalized into Capital Stock, using the following assumptions at the measurement date:

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Risk free interest rate	1.25%	1.55% to 1.62%
Expected life	1 year	2 years
Price volatility	91%	79% to 104%
Dividend yield	nil	nil

Summary

	Nine Months Ended September 30 2011	Year Ended December 31, 2010
Outstanding at beginning of year	\$587,910	-
Warrants issued		
Mining option agreements	26,500	\$ 15,000
Private placements	99,450	521,910
Agent fees for private placements	20,450	51,000
Outstanding at end of period	<u>\$734,310</u>	<u>\$587,910</u>

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9. WARRANTS (Continued)

(b) Private Placement (Continued)

The following table summarizes the warrants outstanding at September 30, 2011:

Number of Warrants	Exercise Price	Expiry Date
200,000	\$0.15	January 28 2012
133,334	\$0.15	February 2, 2012
5,250,000	\$0.12	July 7, 2012
133,334	\$0.15	December 2, 2012
7,031,223	\$0.25	December 22, 2012
200,000	\$0.15	January 28 2013
333,334	\$0.15	February 2, 2013
3,125,000	\$0.20	August 24, 2012
375,000	\$0.12	August 24, 2012
750,000	\$0.20	September 13, 2012
90,000	\$0.12	September 13, 2012
<u>17,421,225</u>		

10. SUPPLEMENTARY CASH FLOW INFORMATION

The Company did not pay any income taxes nor interest during either of the periods ended September 30, 2011 or 2010.

11. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment being the acquisition, exploration and development of mineral properties. All mineral properties are located in Canada. In addition, all revenues, expenses and other assets are located in Canada.

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12. CAPITAL MANAGEMENT

The Company considers its capital to include components of shareholders' equity.

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral property. The capability of the Company to carry out planned exploration and pay for administrative costs is dependent on its ability to secure additional equity or other financings. The Company will assess properties and seek to acquire properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company's investment policy is to invest excess cash in low risk, highly liquid, short-term interest bearing investments, selected with regards to the expected timing of upcoming expenditures.

The Company expects its current capital resources will be sufficient to carry out its exploration plans, operation plans and operations through its current operating period.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2011 or year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Fair value

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

The fair value of cash and cash equivalents, lawyer's trust account, accounts receivable, accounts payable and accrued liabilities, and loan payable are comparable to their carrying value due to the relatively short period to maturity of these instruments.

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

Credit risk

The Company's credit risk is primarily attributable to short-term investments and receivables included in current assets. The Company has no material concentration of credit risk arising from operations. Cash and term deposit consist of bank deposits and a guaranteed investment certificate, which have been invested with a Canadian Chartered Bank, from which management believes the risk of loss to be remote. Other credit risk primarily consists of HST receivable. Management believes that credit risk with respect to receivables is minimal.

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13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, the Company had cash and cash equivalents of \$1,233,936 (December 31, 2010 - \$1,853,677) to settle accounts payable and accrued liabilities of \$228,839 (December 31, 2010 - \$175,224). The ability of the Company to continue to pursue its exploration activities is dependent on its ability to secure additional equity or other financing. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk - The Company has cash and cash equivalents bearing fixed interest rates and no interest bearing debt. The Company's current policy is to invest excess cash in investment-grade term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit of its bank.

(b) Price risk - the Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(c) Commodity price risk - the Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

As at September 30, 2011, the carrying value amounts of the Company's financial instruments approximates their fair value.