

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012
(Stated in Canadian dollars)
(Prepared by Management)

Note to reader

The presentation for Statements of Changes in Equity has been revised to conform with regulatory requirements. There are no other changes in these financial statements.

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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(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012
(Stated in Canadian dollars)
(Prepared by Management)

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ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

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

| | June 30 2012 | December 31 2011 |
|--|-----------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 566,054 | \$ 1,047,472 |
| Accounts receivable | 19,620 | 31,293 |
| Marketable securities (note 4) | 1 | 667 |
| | 585,675 | 1,079,432 |
| INTEREST IN MINING PROPERTIES (note 5) | 2,300,008 | 1,989,006 |
| | \$ 2,885,683 | \$ 3,068,438 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 100,699 | \$ 99,315 |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK (note 8) | 24,882,291 | 24,875,291 |
| WARRANTS (note 9) | 725,976 | 734,310 |
| CONTRIBUTED SURPLUS | 163,334 | 155,000 |
| ACCUMULATED OTHER COMPREHENSIVE LOSS | (1,555) | (889) |
| DEFICIT | (22,985,062) | (22,794,589) |
| | 2,784,984 | 2,969,123 |
| | \$ 2,885,683 | \$ 3,068,438 |

GOING CONCERN (note 2 (b))

Approved by the Board:

Signed "Peter J. Evans", Director
Peter J. Evans

Signed "William P. Dickie", Director
W.P. Dickie

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

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

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

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | June 30 2012 | June 30 2011 | June 30 2011 | June 30 2011 |
| REVENUE | | | | |
| Interest | \$ 1,205 | \$ 481 | \$ 3,282 | \$ 1,981 |
| EXPENSES | | | | |
| Office, general and investor relations | 53,057 | 72,660 | 111,528 | 158,544 |
| Directors' fees | 4,500 | 4,500 | 9,000 | 9,500 |
| Consulting fees | 15,750 | 16,500 | 31,500 | 31,500 |
| Professional fees | 10,000 | 20,000 | 22,000 | 34,000 |
| Property evaluation costs | 8,789 | - | 19,727 | - |
| Loss on disposal of marketable securities | - | - | - | 2,193 |
| | <u>92,096</u> | <u>113,660</u> | <u>193,755</u> | <u>235,737</u> |
| LOSS FOR THE PERIOD | <u>\$ 90,891</u> | <u>\$ 113,179</u> | <u>\$ 190,473</u> | <u>\$ 233,756</u> |
| Basic and fully diluted 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 LOSS
(Stated in Canadian dollars)
(Prepared by Management)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | June 30 2012 | June 30 2011 | June 30 2012 | June 30 2011 |
| Loss for the period | \$ 90,891 | \$ 113,179 | \$ 190,473 | \$ 233,756 |
| Other comprehensive income | | | | |
| Unrealized loss on marketable securities | - | 667 | 666 | 859 |
| Realized loss on sale of marketable securities | - | - | - | (2,193) |
| Comprehensive loss for the period | <u>\$ 90,891</u> | <u>\$ 113,846</u> | <u>\$ 191,139</u> | <u>\$ 232,422</u> |

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

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

STATEMENTS OF CHANGES IN EQUITY
REVISED (see Note to reader)
(Stated in Canadian dollars)
(Prepared by Management)

| | Common Shares | | Warrants | | Contributed Surplus | Accumulated Other Comprehensive Loss | Deficit | Total |
|---|---------------|---------------|------------|------------|------------------------|---|-----------------|-------------|
| | Number | Amount | Number | Amount | | | | |
| Balance January 1, 2011 | 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 |
| 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 year | - | - | - | - | - | (1,334) | (233,756) | (235,090) |
| Balance June 30, 2011 | 48,882,579 | \$ 24,123,991 | 13,081,225 | \$ 614,410 | \$ 155,000 | \$ (667) | \$ (22,784,945) | \$2,107,789 |
| Shares issued for : | | | | | | | | |
| Mining option agreements | 66,667 | 2,000 | - | - | - | - | - | 2,000 |
| 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) |
| Net loss and comprehensive loss for the year | - | - | - | - | - | (222) | (9,644) | (9,866) |
| Balance December 31, 2011 | 56,699,246 | \$24,875,291 | 17,421,225 | \$ 734,310 | \$ 155,000 | \$ (889) | \$ (22,794,589) | \$2,969,123 |
| Shares issued for : | | | | | | | | |
| Mining option agreements | 233,334 | 7,000 | - | - | - | - | - | 7,000 |
| Warrants expired | - | - | (333,334) | (8,334) | 8,334 | - | - | - |
| Net loss and comprehensive income for the period | - | - | - | - | - | (666) | (190,473) | (191,139) |
| Balance June 30, 2012 | 56,932,580 | \$ 24,882,291 | 17,087,891 | \$ 725,976 | \$ 163,334 | \$ (1,555) | \$ (22,985,062) | \$2,784,984 |

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

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

STATEMENTS OF CASH FLOWS
(Stated in Canadian dollars)
(Prepared by Management)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | June 30 2012 | June 30 2011 | June 30 2012 | June 30 2011 |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | |
| Loss for the period | \$(90,891) | \$(113,179) | \$(190,473) | \$(233,756) |
| Add items not affecting cash: | | | | |
| Loss on disposal of marketable securities | | - | - | 2,193 |
| Net changes in non-cash working capital balances | | | | |
| Accounts receivable | 30,675 | (14,329) | 11,673 | (14,807) |
| Accounts payable and accrued liabilities | <u>(203,274)</u> | <u>152,875</u> | <u>1,384</u> | <u>222,854</u> |
| Cash used in operations | <u>(263,490)</u> | <u>25,367</u> | <u>(177,416)</u> | <u>(23,516)</u> |
| CASH USED IN INVESTING ACTIVITIES | | | | |
| Interest in mining properties | <u>(61,329)</u> | <u>(426,855)</u> | <u>(304,002)</u> | <u>(848,212)</u> |
| Cash used in investing | <u>(61,329)</u> | <u>(426,855)</u> | <u>(304,002)</u> | <u>(848,212)</u> |
| CASH PROVIDED BY FINANCING ACTIVITIES | | | | |
| Cash provided by financing | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| INCREASE (DECREASE) IN CASH DURING THE PERIOD | (324,819) | (401,488) | (481,418) | (871,728) |
| CASH POSITION AT THE BEGINNING OF THE PERIOD | <u>890,873</u> | <u>1,383,437</u> | <u>1,047,472</u> | <u>1,853,677</u> |
| CASH POSITION AT THE END OF THE PERIOD | <u>\$ 566,054</u> | <u>\$ 981,949</u> | <u>\$566,054</u> | <u>\$ 981,949</u> |
| Cash and cash equivalents are comprised of the following: | | | | |
| Deposits with bank | | | \$ 35,762 | \$ 15,596 |
| Guaranteed investment certificates | | | <u>530,292</u> | <u>966,353</u> |
| | | | <u>\$ 566,054</u> | <u>\$ 981,949</u> |

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

ATEBA RESOURCES INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012
(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”).

These financial statements have been approved by the Board of Directors of the Company on August XX, 2012.

(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.

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 properties. 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 \$190,473 for the six months ended June 30, 2012 (2011 – \$233,756) and has working capital of \$484,976 as at June 30, 2012 (December 31, 2011 – \$980,117). 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 period ended June 30, 2012.

Reference should be made to the audited financial statements for the year ended December 31, 2011 for significant accounting policies under IFRS.

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NOTES TO FINANCIAL STATEMENTS

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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.

| | June 30, 2012 | December 31, 2011 |
|-----------------------------|------------------|----------------------|
| Marketable securities: | | |
| Fair value | \$ 1 | \$ 667 |
| Cost | (1,556) | (1,556) |
| Accumulated unrealized loss | \$(1,555) | \$(889) |

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

5. INTEREST IN MINING PROPERTIES

Accumulated mineral property costs have been incurred as follows:

| 2012 | | | | |
|-------------------|-----------------------------------|-------------------|---------------------|-------------------------------|
| | Balance, beginning of the year | Acquisition | Exploration | Balance, June 30, 2012 |
| Elliot Lake | \$ 49,970 | \$ - | \$ 106 | \$ 50,076 |
| Larder Lake Group | 1,939,036 | 30,334 | 280,562 | 2,249,932 |
| | <u>\$ 1,989,006</u> | <u>\$ 30,334</u> | <u>\$ 280,668</u> | <u>\$ 2,300,008</u> |
| 2011 | | | | |
| | Balance, beginning of the year | Acquisition | Exploration | Balance, December 31, 2011 |
| Elliot Lake | \$ 49,970 | \$ - | \$ - | \$ 49,970 |
| Larder Lake Group | 579,001 | 166,500 | 1,193,535 | 1,939,036 |
| | <u>\$ 628,971</u> | <u>\$ 166,500</u> | <u>\$ 1,193,535</u> | <u>\$ 1,989,006</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 six months ended June 30, 2012 of \$106 (2010 - \$nil) in order to maintain the property interest in good standing.

Larder Lake Group

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. These agreements were amended in 2011 and 2012. The figures for the current period reflect the second extension of commitments as set out in these amending agreements. In order to acquire up to a 100% interest in these claims, the Company must fulfil the following commitments:

| | Cash | Share units | Shares | Work commitment |
|---------------------|-----------------------|---------------------|--------------------|-----------------------|
| 2010 | \$ 70,000 (fulfilled) | 466,668 (fulfilled) | - | \$ 83,333 (fulfilled) |
| 2011 | 90,000 (fulfilled) | 333,334 (fulfilled) | 66,667 (fulfilled) | 416,667 (fulfilled) |
| 2012 | 73,334 | 133,334 | 400,001 | 200,000 |
| 2013 | 116,666 | 466,666 | - | 700,000 |
| 2014 | 46,668 | 466,666 | - | 933,334 |
| 2015 | - | 466,666 | - | 1,166,666 |
| Total consideration | <u>\$ 396,668</u> | <u>2,333,334</u> | <u>466,668</u> | <u>\$ 3,500,000</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 Group. 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 June 30, 2012 was \$2,300,008 (December 31, 2011 - \$1,989,006). Management’s review of these carrying values indicated that at June 30, 2012, 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.

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6. RELATED PARTY INFORMATION

A company controlled by a director charged fees in the six months ended June 30, 2012 in the amount of \$72,000 (2011 - \$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 2014.

During the six months ended June 30, 2012, consulting fees of \$30,000 (2011 - \$30,000) 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. All related parties payables are due on demand, non-interest bearing and are unsecured.

7. DEFERRED REVENUE

In the December 2010 private placement, the company issued 4,150,000 flow through units at \$0.17. 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 in 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.

ATEBA RESOURCES INC.
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FOR THE SIX MONTHS ENDED JUNE 30, 2012
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8. CAPITAL STOCK (Continued)

(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% (5,693,258) of the issued and outstanding common shares, with no more than 5% (2,846,629) 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 projects, consistent with the recommendation of the CICA Handbook Section adopted by the Company. The Company uses the Black-Scholes option valuation model to value stock options.

The fair value of each option was estimated on the date of grant. There were no options issued in the six months ended June 30, 2012. Under Black-Scholes, the options issued during the year ended December 31, 2011 have been valued at \$15,000 and were capitalized into Interest in Mining Properties, using the following assumptions at the measurement date:

| | |
|------------------------------|-------------|
| | <u>2011</u> |
| Risk free interest rate | 2.74% |
| Expected life | 5 years |
| Price volatility | 94% |
| Weighted average share price | \$0.177 |
| Exercise price | \$0.30 |
| Dividend yield | 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:

| | <u>Six months ended</u> <u>June 30, 2012</u> | | <u>Year ended</u> <u>December 31, 2011</u> | |
|----------------------------------|---|--|---|--|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding at beginning of year | 2,750,000 | \$ 0.21 | 2,600,000 | \$ 0.20 |
| Granted during the year | - | - | 150,000 | \$ 0.30 |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Outstanding at end of period | <u>2,750,000</u> | <u>\$ 0.21</u> | <u>2,750,000</u> | <u>\$ 0.21</u> |

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NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012
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8. CAPITAL STOCK (Continued)

(b) Stock Option Plan (Continued)

The following summarizes information on the stock options outstanding:

| | Six Months ended June 30, 2012 | Year ended December 31, 2011 |
|--|-----------------------------------|---------------------------------|
| Weighted average exercise price | \$ 0.21 | \$ 0.21 |
| Options exercisable as at period end | 2,750,000 | 2,750,000 |
| Weighted average fair value of options granted | \$ 0.10 | \$ 0.10 |

The following table summarizes the options outstanding at June 30, 2012:

| 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 loss per share

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

| | Six Months Ended June 30, 2012 | Six Months Ended June 30, 2011 |
|--|-----------------------------------|-----------------------------------|
| Numerator: | | |
| Loss for the period | \$ 186,093 | \$ 233,756 |
| Denominator: | | |
| Weighted average common shares outstanding | 56,849,613 | 48,792,339 |
| Basic and diluted loss per share | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

Details of anti-dilutive potential securities outstanding not included in diluted EPS calculations are as follows:

| | Six Months Ended June 30, 2012 | Six Months Ended June 30, 2011 |
|--------------------------------------|-----------------------------------|-----------------------------------|
| Anti-dilutive potential securities | | |
| Common shares potentially assumable: | | |
| - pursuant to warrants | 17,087,891 | 13,081,225 |
| - under stock options | 2,750,000 | 2,750,000 |

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FOR THE SIX MONTHS ENDED JUNE 30, 2012
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9. WARRANTS

(a) Mining Option Agreements

As part of the three Larder Lake Group 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. There were no warrants issued in the six months ended June 30, 2012. Under Black-Scholes, the warrants issued during the year ended December 31, 2011 have been valued at \$26,500 and were capitalized into Interest in Mining Properties, using the following assumptions at the measurement date:

| | <u>Year Ended December 31, 2011</u> |
|-------------------------|---|
| Risk free interest rate | 1.64% |
| Expected life | 2 years |
| Price volatility | 99% to 101% |
| Dividend yield | 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.

The fair value of each warrant was estimated on the date of issue. There were no warrants issued in the six months ended June 30, 2012. Under Black-Scholes, the warrants issued during the year ended December 31, 2011 have been valued at \$199,900 and were capitalized into Capital Stock, using the following assumptions at the measurement date:

| | <u>Year Ended December 31, 2011</u> |
|-------------------------|---|
| Risk free interest rate | 1.25% |
| Expected life | 1 year |
| Price volatility | 91% |
| Dividend yield | nil |

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NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012
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9. WARRANTS (Continued)

(b) Private Placement (Continued)

In June 2012, the Company changed the terms of 5,250,000 \$0.12 warrants that were due to expire on July 7, 2012, by extending the term to October 9, 2012 and decreasing the exercise price to \$0.05.

Summary

| | Six Months Ended June 30, 2012 | Year Ended December 31, 2011 |
|-----------------------------------|-----------------------------------|---------------------------------|
| Outstanding at beginning of year | \$ 734,310 | \$ 587,910 |
| Warrants issued | | |
| Mining option agreements | - | 26,500 |
| Private placements | - | 99,450 |
| Agent fees for private placements | - | 20,450 |
| Warrants expired | (8,334) | - |
| Outstanding at end of period | <u>\$ 725,976</u> | <u>\$ 734,310</u> |

The following table summarizes the warrants outstanding at June 30, 2012:

| Number of Warrants | Exercise Price | Expiry Date |
|-----------------------|-------------------|--------------------|
| 5,250,000 | \$0.05 | October 9, 2012 |
| 133,334 | \$0.15 | December 3, 2012 |
| 7,031,223 | \$0.25 | December 22, 2012 |
| 200,000 | \$0.15 | January 28, 2013 |
| 133,334 | \$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>17,087,891</u> | | |

10. SUPPLEMENTARY CASH FLOW INFORMATION

The Company did not pay any income taxes nor interest during either of the periods ended June 30, 2012 or 2011.

11. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform to the current period's financial statement presentation.

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012
(Stated in Canadian dollars)
(Prepared by Management)

12. 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.

13. 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 six months ended June 30, 2012 or year ended December 31, 2011. The Company is not subject to externally imposed capital requirements.

ATEBA RESOURCES INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2012
(Stated in Canadian dollars)
(Prepared by Management)

14. 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.

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 June 30, 2012, the Company had cash and cash equivalents of \$566,054 (December 31, 2011 - \$1,047,472) to settle accounts payable and accrued liabilities of \$100,699 (December 31, 2011 - \$99,315). 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 June 30, 2012, the carrying value amounts of the Company's financial instruments approximates their fair value.