

ATEBA RESOURCES INC.

(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

(Stated in Canadian dollars)

(Prepared by Management)

#### 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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ATEBA RESOURCES INC.  
(An Exploration Stage Enterprise)

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

	June 30 2013	December 31 2012
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 55,784	\$ 249,455
Accounts receivable	11,698	37,473
Marketable securities (note 4)	1	1
Deposits	-	50,000
	67,483	336,929
<b>INTEREST IN MINING PROPERTIES (note 5)</b>	2,681,248	2,524,350
	<u>\$ 2,748,731</u>	<u>\$ 2,861,279</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 253,749	\$ 221,574
<b>SHAREHOLDERS' EQUITY</b>		
CAPITAL STOCK (note 7)	24,889,291	24,889,291
WARRANTS (note 8)	1,440	401,250
CONTRIBUTED SURPLUS	889,310	489,500
ACCUMULATED OTHER COMPREHENSIVE LOSS	(1,555)	(1,555)
DEFICIT	(23,283,504)	(23,138,781)
	2,494,982	2,639,705
	<u>\$ 2,748,731</u>	<u>\$ 2,861,279</u>

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

	Three Months Ended		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
REVENUE				
Interest	\$ -	\$ 1,205	\$ 64	\$ 3,282
EXPENSES				
Office, general and investor relations	49,011	53,057	94,287	111,528
Directors' fees	4,500	4,500	9,000	9,000
Consulting fees	15,750	15,750	31,500	31,500
Professional fees	5,000	10,000	10,000	22,000
Property evaluation costs	-	8,789	-	19,727
	<u>74,261</u>	<u>92,096</u>	<u>144,787</u>	<u>193,755</u>
LOSS FOR THE PERIOD	<u>\$ 74,261</u>	<u>\$ 90,891</u>	<u>\$ 144,723</u>	<u>\$ 190,473</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 2013	June 30 2012	June 30 2013	June 30 2012
Loss for the period	\$ 74,261	\$ 90,891	\$ 144,723	\$ 190,473
Other comprehensive income				
Unrealized loss on marketable securities	-	-	-	666
Comprehensive loss for the period	<u>\$ 74,261</u>	<u>\$ 90,891</u>	<u>\$ 144,723</u>	<u>\$ 191,139</u>

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

	Common Shares		Warrants			Accumulated Other Comprehensive Loss	Deficit	Total
	Number	Amount	Number	Amount	Contributed Surplus			
Balance January 1, 2012	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	533,334	14,000	133,333	1,440	-	-	-	15,440
Warrants expired	-	-	(10,056,668)	(334,500)	334,500	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	-	(666)	(344,192)	(344,858)
Balance December 31, 2012	57,232,580	\$24,889,291	7,497,891	\$ 401,250	\$ 489,500	\$ (1,555)	\$ (23,138,781)	\$2,639,705
Warrants expired	-	-	(7,364,558)	(399,810)	399,810	-	-	-
Net loss and comprehensive income for the period	-	-	-	-	-	-	(144,723)	(144,723)
Balance June 30, 2013	<u>57,232,580</u>	<u>\$ 24,889,291</u>	<u>133,333</u>	<u>\$ 1,440</u>	<u>\$ 889,310</u>	<u>\$ (1,555)</u>	<u>\$ (23,283,504)</u>	<u>\$2,494,982</u>

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		Six Months Ended	
	June 30 2013	June 30 2012	June 30 2013	June 30 2012
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Loss for the period	\$(74,261)	\$(90,891)	\$(144,723)	\$(190,473)
Add items not affecting cash:				
Loss on disposal of marketable securities		-	-	-
Net changes in non-cash working capital balances				
Accounts receivable	48,896	30,675	25,775	11,673
Decrease in deposits	-	-	50,000	-
Accounts payable and accrued liabilities	20,464	(203,274)	32,175	1,384
Cash used in operations	<u>(4,901)</u>	<u>(263,490)</u>	<u>( 36,773)</u>	<u>( 177,416)</u>
<b>CASH USED IN INVESTING ACTIVITIES</b>				
Interest in mining properties	<u>( 15,332)</u>	<u>(61,329)</u>	<u>( 156,898)</u>	<u>(304,002)</u>
Cash used in investing	<u>( 15,332)</u>	<u>(61,329)</u>	<u>( 156,898)</u>	<u>(304,002)</u>
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>				
Cash provided by financing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	<u>(20,233)</u>	<u>(324,819)</u>	<u>( 193,671)</u>	<u>(481,418)</u>
<b>CASH POSITION AT THE BEGINNING OF THE PERIOD</b>	<u>76,017</u>	<u>890,873</u>	<u>249,455</u>	<u>1,047,472</u>
<b>CASH POSITION AT THE END OF THE PERIOD</b>	<u>\$ 55,784</u>	<u>\$ 566,054</u>	<u>\$55,784</u>	<u>\$ 566,054</u>
Cash and cash equivalents are comprised of the following:				
Deposits with bank			\$ 24,594	\$ 35,762
Guaranteed investment certificates			<u>31,190</u>	<u>530,292</u>
			<u>\$ 55,784</u>	<u>\$ 566,292</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, 2013  
(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 3680, 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 \$144,723 for the six months ended June 30, 2013 (2012 – \$190,473) and has a working capital deficiency of \$186,266 as at June 30, 2013 (December 31, 2012 – working capital \$637,196). 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, 2013.

Reference should be made to the audited financial statements for the year ended December 31, 2012 for significant accounting policies under IFRS.



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FOR THE SIX MONTHS ENDED JUNE 30, 2012  
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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, 2013	December 31, 2012
Marketable securities:		
Fair value	\$ 1	\$ 1
Cost	( 1,556)	( 1,556)
Accumulated unrealized loss	<u>\$( 1,555)</u>	<u>\$( 1,555)</u>

During the six months ended June 30, 2013, the Company recognized a loss of \$nil (2012 - \$nil) on sale of marketable securities for proceeds of \$nil (2012 - \$nil).

#### 5. INTEREST IN MINING PROPERTIES

Accumulated mineral property costs have been incurred as follows:

##### 2013

	Balance, beginning of the year	Acquisition	Exploration	Balance, June 30, 2013
Elliot Lake	\$ 50,076	\$ -	\$ 1,356	\$ 51,432
Larder Lake Group	2,474,274	-	155,542	2,629,816
	<u>\$ 2,524,350</u>	<u>\$ -</u>	<u>\$ 156,898</u>	<u>\$ 2,681,248</u>

##### 2012

	Balance, beginning of the year	Acquisition	Exploration	Balance, December 31, 2012
Elliot Lake	\$ 49,970	\$ -	\$ 106	\$ 50,076
Larder Lake Group	1,939,036	42,107	493,131	2,474,274
	<u>\$ 1,989,006</u>	<u>\$ 42,107</u>	<u>\$ 493,237</u>	<u>\$ 2,524,350</u>

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NOTES TO FINANCIAL STATEMENTS

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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, 2013 of \$1,356 (2012 - \$106) 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	133,333	466,666	166,667 (fulfilled)	700,000
2013	66,667	466,666	-	866,667
2014	13,334	466,666	-	1,100,000
2015	-	133,334	-	333,333
Total consideration	<u>\$ 373,334</u>	<u>2,333,334</u>	<u>233,334</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 \$2,629,816 (December 31, 2012 - \$2,474,274). Management's review of these carrying values indicated that at June 30, 2013, 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, 2013 in the amount of \$72,000 (2012 - \$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, 2013, 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. CAPITAL STOCK**

**(a) Authorized and Issued**

Unlimited number of special shares issuable in series  
Unlimited number of common shares

**(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% (5,723,258) of the issued and outstanding common shares, with no more than 5% (2,861,629) 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 granted in the six months ended June 30, 2013 nor in the year ended December 31, 2012.

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

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**7. CAPITAL STOCK (Continued)**

**(b) Stock Option Plan (Continued)**

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

	Six months ended June 30, 2013		Year ended December 31, 2012	
	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>	\$ 0.21	<u>2,750,000</u>	\$ 0.21

The following summarizes information on the stock options outstanding:

	Six Months ended June 30, 2013	Year ended December 31, 2012
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, 2013:

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>		

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**7. CAPITAL STOCK (Continued)**

**(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, 2013	Six Months Ended June 30, 2012
Numerator:		
Loss for the period	\$ 144,723	\$ 190,473
Denominator:		
Weighted average common shares outstanding	57,232,580	56,849,613
Basic and diluted loss per share	\$ 0.00	\$ 0.00

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

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Anti-dilutive potential securities		
Common shares potentially assumable:		
- pursuant to warrants	133,333	17,087,891
- under stock options	2,750,000	2,750,000

**8. 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, 2013. Under Black-Scholes, the warrants issued during the year ended December 31, 2012 have been valued at \$1,440 and capitalized into the cost of the mining properties, using the following assumptions at the measurement date:

	Year Ended December 31, 2012
Risk free interest rate	1.64%
Expected life	2 years
Price volatility	99% to 101%
Dividend yield	nil

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## 8. WARRANTS (Continued)

### (b) Private Placements

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, 2013 nor in the year ended December 31, 2012.

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. In December 2012, the Company changed the terms of 7,031,223 \$0.25 warrants that were due to expire on December 22, 2012, by extending the term to April 23, 2013 and decreasing the exercise price to \$0.05.

#### Summary

	Six Months Ended June 30, 2013	Year Ended December 31, 2012
Outstanding at beginning of year	\$ 401,250	\$ 734,310
Warrants issued		
Mining option agreements	-	1,440
Warrants expired	(399,810)	(334,500)
Outstanding at end of period	<u>\$ 1,440</u>	<u>\$ 401,250</u>

The following table summarizes the warrants outstanding at June 30, 2013:

Number of Warrants	Exercise Price	Expiry Date
133,333	\$0.12	December 3, 2014
<u>133,333</u>		

## 9. SUPPLEMENTARY CASH FLOW INFORMATION

The Company did not pay any income taxes nor interest during either of the periods ended June 30, 2013 or 2012.

## 10. COMPARATIVE FIGURES

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

## 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 six months ended June 30, 2013 or year ended December 31, 2012. The Company is not subject to externally imposed capital requirements.

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### 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.

#### **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, 2013, the Company had cash and cash equivalents of \$55,784 (December 31, 2012 - \$249,455) to settle accounts payable and accrued liabilities of \$253,749 (December 31, 2012 - \$221,574). 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, 2013, the carrying value amounts of the Company's financial instruments approximates their fair value.