

ATEBA RESOURCES INC.

(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS

(Prepared by Management)

UNAUDITED

FOR THE THREE MONTHS ENDED MARCH 31, 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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(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

	March 31 <u>2011</u>	December 31 <u>2010</u> (Note 3)	January 1 <u>2010</u>
CURRENT			
Cash and cash equivalents	\$ 1,383,437	\$ 1,853,677	\$ 405,807
Lawyer's trust account	-	-	50,000
Accounts receivable	58,017	57,539	5,619
Marketable securities (note 5)	1,556	2,223	1,470
Deposits	<u>50,000</u>	<u>50,000</u>	<u>16,667</u>
	1,493,010	1,963,439	479,563
INTEREST IN MINING PROPERTIES (note 6)	1,124,828	628,971	48,965
INVESTMENTS	<u>-</u>	<u>-</u>	<u>5</u>
	<u>\$ 2,617,838</u>	<u>\$ 2,592,410</u>	<u>\$ 528,533</u>

LIABILITIES

CURRENT			
Accounts payable and accrued liabilities	\$ <u>245,203</u>	\$ 175,224	\$ 55,905
DEFERRED REVENUE (note 8)	<u>166,000</u>	<u>166,000</u>	<u>-</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 9)	24,123,991	24,075,991	22,663,825
WARRANTS (note 10)	614,410	587,910	-
CONTRIBUTED SURPLUS	140,000	140,000	45,000
ACCUMULATED OTHER COMPREHENSIVE LOSS	-	(1,526)	(2,675)
DEFICIT	<u>( 22,671,766)</u>	<u>(22,551,189)</u>	<u>(22,233,522)</u>
	<u>2,206,635</u>	<u>2,251,186</u>	<u>472,628</u>
	<u>\$ 2,617,838</u>	<u>\$ 2,592,410</u>	<u>\$ 528,533</u>

NATURE OF OPERATIONS (note 1)  
GOING CONCERN (note 2 (b))

Approved by the Board:

\_\_\_\_\_, Director  
Peter J. Evans

\_\_\_\_\_, 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 AND DEFICIT  
(Stated in Canadian dollars)  
(Prepared by Management)

	<b>Three Months Ended</b>	
	March 31	March 31
	<u>2011</u>	<u>2010</u>
REVENUE		
Interest	\$ <u>1,500</u>	\$ <u>577</u>
EXPENSES		
Office, general and investor relations	85,884	21,277
Directors' fees	5,000	2,250
Consulting fees	15,000	5,875
Professional fees	14,000	2,500
Loss on disposal of marketable securities	<u>2,193</u>	<u>-</u>
	<u>122,077</u>	<u>31,902</u>
LOSS FOR THE PERIOD	120,577	31,325
DEFICIT AT BEGINNING OF THE PERIOD	( <u>22,551,189</u> )	( <u>22,233,522</u> )
DEFICIT AT END OF THE PERIOD	( <u>\$22,671,766</u> )	( <u>\$22,264,847</u> )
Basic and diluted earnings (loss) per share (Note 9(c))	\$ <u>0.00</u>	\$ <u>0.00</u>

STATEMENTS OF COMPREHENSIVE LOSS

(Prepared by Management)

	<b>Three Months Ended</b>	
	March 31	March 31
	<u>2011</u>	<u>2010</u>
Loss for the period	\$ 120,577	\$ 31,325
Other comprehensive loss:		
Unrealized (gain) loss on marketable securities	<u>667</u>	( <u>657</u> )
Comprehensive loss for the period	<u>\$ 121,244</u>	<u>\$ 30,668</u>

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

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, January 1, 2010	29,526,692	\$ 22,663,825	-	\$ -	\$ 45,000	\$ (2,675)	\$ (22,233,522)	\$ 472,628
Shares issued for :								
Mining option agreements	466,668	40,666	466,668	15,000	-	-	-	55,666
Private placements	18,355,885	2,061,950	12,281,223	572,910	-	-	-	2,634,860
Cost of private placements - cash	-	(143,540)	-	-	-	-	-	(143,540)
Cost of private placements – warrants valuation	-	(572,910)	-	-	-	-	-	(572,910)
Options exercised for cash	200,000	20,000	-	-	-	-	-	20,000
Reversal of cost of options exercised	-	6,000	-	-	(6,000)	-	-	0
Stock-based compensation charged to operations	-	-	-	-	84,000	-	-	84,000
Stock options issued charged to mining properties	-	-	-	-	17,000	-	-	17,000
Net loss and comprehensive income for the year	-	-	-	-	-	1,149	(317,667)	(316,518)
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
Loss on disposal of marketable securities						2,193		2,193
Net loss and comprehensive loss for the period	-	-	-	-	-	(667)	(120,577)	(121,244)
Balances, March 31, 2011	48,882,579	\$ 24,123,991	13,081,225	\$ 614,410	\$ 140,000	\$ -	\$ (22,671,766)	\$2,206,635
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
Net loss and comprehensive income for the period	-	-	-	-	-	657	(31,325)	(30,668)
Balances, March 31, 2010	29,860,026	\$ 22,687,158	333,334	\$ 8,333	\$ 45,000	\$ (2,018)	\$ (22,264,847)	\$ 473,626

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)

	<b>Three Months Ended</b>	
	March 31 <u>2011</u>	March 31 <u>2010</u>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Loss for the period	(\$ 120,577)	(\$ 31,325)
Add item not affecting cash:		
Loss on disposal of marketable securities	2,193	-
Net changes in non-cash working capital balance:		
Accounts receivable	( 478)	( 502)
Deposits	-	16,667
Accounts payable and accrued liabilities	<u>69,979</u>	<u>2,547</u>
Cash provided by (used in) operations	( <u>48,883</u> )	( <u>12,613</u> )
<b>CASH USED IN INVESTING ACTIVITIES:</b>		
Interest in mining properties	( <u>421,357</u> )	( <u>51,816</u> )
Cash used in investing	( <u>421,357</u> )	( <u>51,816</u> )
<b>CASH PROVIDED BY FINANCING ACTIVITIES:</b>		
Cash provided by financing	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	( 470,240)	( 64,429)
<b>CASH POSITION AT BEGINNING OF THE PERIOD</b>	<u>1,853,677</u>	<u>455,807</u>
<b>CASH POSITION AT END OF THE PERIOD</b>	<u>\$ 1,383,437</u>	<u>\$ 391,378</u>

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

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

ATEBA RESOURCES INC.  
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NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

(Stated in Canadian dollars)

(Prepared by Management)

## 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 are the Company’s first IFRS interim financial statements for part of the period covered by the Company’s annual financial statements for the year ended December 31, 2011. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”).

As these are the Company’s first set of interim financial statements in accordance with IFRS, the Company’s disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company’s accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company’s 2010 annual financial statements prepared in accordance with Canadian GAAP. In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company’s interim financial statements under IFRS as the reader will be able to rely on the annual financial statements which will be prepared in accordance with IFRS.

### (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 \$120,577 for the three months ended March 31, 2011 (2010 – \$31,325) and has working capital of \$1,247,807 as at March 31, 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.



ATEBA RESOURCES INC.  
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NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

(Stated in Canadian dollars)

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### 3. FIRST TIME ADOPTION OF IFRS

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 '*First-time Adoption of International Reporting Standards*', the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit unless certain exemptions are applied. The Company has used IFRS 1 exemption with respect to accounting for business combinations that occurred prior to transition date of January 1, 2010 using same accounting policies that were previously used under Canadian GAAP.

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption of IFRS has not changed the actual cash flows of the Company; the adoption resulted in significant changes to the liabilities and equity reported on the balance sheet. The adoption has not resulted in any changes to the assets on the balance sheet, the results of operations nor the cash flows of the Company. Presented below are the reconciliations prepared by the Company to reconcile the IFRS liabilities, equity and cash flows of the Company from those reported under Canadian GAAP:

	December 31, <u>2010</u>	January 1 <u>2010</u>
<b>(a) Total Liabilities</b>		
Total liabilities under Canadian GAAP	\$175,224	\$55,905
Adjustment for deferred revenue (see note below)	<u>166,000</u>	<u>-</u>
<b>Total liabilities under IFRS</b>	<u>\$341,224</u>	<u>\$55,905</u>
<b>(b) Total Equity</b>		
Total equity under Canadian GAAP	\$2,417,186	\$472,628
Adjustment for deferred revenue (see note below)	<u>(166,000)</u>	<u>-</u>
<b>Total equity under IFRS</b>	<u>\$2,251,186</u>	<u>\$472,628</u>

#### Note to the IFRS reconciliation above

In the December 2010 private placement, the company issued 4,150,000 flow through units at \$0.17 (note 9 (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 will be recognized as a gain on sale of tax benefit associated with renounced exploration expenditures.

The amounts stated on the balance sheet as at January 1, 2010 approximate the fair value of financial assets and liabilities.

These financial statements have been approved by the Board of Directors of the Company on June 21, 2011.

The company has elected to early adopt the recommendations of IFRS 9 Financial Instruments as of the transition date to IFRS of January 1, 2010.

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NOTES TO FINANCIAL STATEMENTS

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#### 4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") retroactively applied to January 1, 2010.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the recoverability of mineral property costs, and the valuation allowance of future tax assets. Actual results could differ from those estimates.

The significant accounting policies are as follows:

##### **(a) Financial Instruments**

Financial Instruments are initially recognized at their fair value on a settlement basis when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy establishes three levels to classify valuation techniques used to measure fair value. Level 1 items are quoted prices in active markets for identical assets or liabilities. Level 2 items are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets or quoted prices that are derived principally from or corroborated by observable market data and other means. Level 3 inputs are unobservable and supported by little or no market activity. The fair value hierarchy gives the highest priority to Level 1 items and the lowest priority to Level 3 items.

Subsequent measurement of financial instruments is based on the classification of the financial instrument as follows:

##### **(i) Fair Value Basis – Profit or Loss**

Cash and cash equivalents and lawyer's trust account are recorded on a fair value basis with any changes in fair value being recorded in profit or loss in other income. Cash and cash equivalents and lawyer's trust account are managed based on their fair value to the entity in accordance with the company's investment strategy and reported internally at fair value. Transaction costs associated with these items are expensed as incurred. The fair value of cash and cash equivalents are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets. The fair value of lawyer's trust account approximates its cost due to its inherent nature and is classified within Level 3 of the fair value hierarchy given that it has no observable market.

##### **(ii) Fair Value Basis – Other Comprehensive Income**

Marketable securities are recorded on a fair value basis with any changes in fair value being recorded in other comprehensive loss. Marketable securities are managed based on their fair value to the entity in accordance with the company's investment strategy and reported internally at fair value. The fair value of marketable securities is based upon quoted market prices. Marketable securities are written down only if there is a permanent decline in the anticipated recoverable amount below their cost. The cost of financial assets designated as available for sale is disclosed in note 5.

ATEBA RESOURCES INC.  
(An Exploration Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

(Stated in Canadian dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(a) Financial Instruments (Continued)**

**(iii) Amortized Cost**

Accounts receivable are recorded on the balance sheet at amortized cost, with interest being recorded in profit or loss using the effective interest method. The fair value of accounts receivable approximates their recorded amounts due to their short-term maturities.

Accounts payable and accrued liabilities are recorded on the balance sheet at amortized cost, with interest being recorded in net income using the effective interest method. The fair value of accounts payable and accrued liabilities approximated their recorded amounts due to their short-term maturities.

**(b) Revenue recognition**

Interest income is recognized on an accrual basis; and, profits on the sale of marketable securities are recognized at the time of settlement.

**(c) Mining properties**

The Company's interests in mining properties are carried at cost as intangible assets on a property-by-property basis. Costs include capitalized expenditures for acquisition, geological surveys, exploration and development. When shares of the Company are issued from treasury as consideration for the acquisition of mining properties, the market value of the shares is considered a cost of acquisition. Costs for each property are written off to the statement of income (loss) if future recovery is determined to be unlikely.

If the economically recoverable mineral reserves are developed, capitalized costs of the related property will be reclassified as mining assets and amortized using the unit of production method. When a mineral property is abandoned, all related costs are written off to operations.

Mining properties are assessed for impairment when facts and circumstances suggest that the carrying value of the mining property may exceed its recoverable amount. When facts and circumstances suggest that the carrying value of the mining property may exceed its recoverable amount, the mining property is written down to its recoverable amount through recognition of an impairment loss.

**(d) Income taxes**

Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax base of the assets and liabilities, and are measured using substantially enacted tax rates expected to be in effect when these temporary differences are likely to reverse. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized, and a valuation allowance is applied against any future tax asset if it is more likely than not that the asset will not be realized.

**(e) Loss per common share**

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a manner similar to basic loss per share, except that the weighted average shares outstanding are increased to include the potentially issuable common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options.

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NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

(Stated in Canadian dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Stock option plan**

The Company has a stock option plan, which is described in note 8 (b). The Company accounts for stock-based compensation using the fair-value method. Under the fair value method, stock-based payments are measured at the fair value of equity instruments and are amortized over the vesting period. The offset to the recorded cost is contributed surplus in shareholders' equity.

If the stock options are exercised, the proceeds are credited to share capital and the fair value at the date of grant is reclassified from contributed surplus to share capital.

**(g) Impairment of long-lived assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

**(h) Asset retirement obligations**

The fair value of the liability for an asset retirement obligation is recorded when it is incurred or can be reasonably estimated, and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at March 31, 2011, the Company has not incurred or committed any asset retirement obligations related to the development of its exploration property.

Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

**(i) Share issue costs**

Costs incurred in connection with share issuances are charged to capital stock.

**(j) Cash and cash equivalents**

Cash and cash equivalents on the balance sheet comprise cash at banks and short term deposits with an original maturity of one year or less, which are readily convertible into a known amount of cash.

**(k) Flow Through Shares**

The increment between the prices of a flow through share issued in a private placement over that of a common share is set up as deferred revenue and the related share capital reduced by the same amount pursuant to the IFRS policies adopted in these financial statements. This increment will be recognized as a gain on sale of tax benefit associated with renounced exploration expenditures.

**(l) Warrants**

The fair value of warrants issued is estimated on the date of issue using the Black-Scholes calculation based on assumptions for risk free interest rate, expected life of the warrant, price volatility and dividend yield. Warrants related to mining option agreements are capitalized into Interest in Mining Properties. Warrants related to issuance of shares are shown as a reduction in share capital.

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NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

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## 5. 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.

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
	Amount	Amount
Marketable securities:		
Fair value	\$ 1,556	\$ 2,223
Cost	( 1,556)	( 3,749)
Accumulated unrealized loss	<u>\$ -</u>	<u>(\$ 1,526)</u>

During the three months ended March 31, 2011, the Company recognized a loss of \$2,193 (2010 - \$nil)) on sale of marketable securities for proceeds of \$nil (2010 - \$nil).

## 6. INTEREST IN MINING PROPERTIES

Accumulated mineral property costs have been incurred as follows:

### 2011

	Balance, beginning of the year	Acquisition	Exploration	Balance, March 31, 2011
Elliot Lake	\$ 49,970	\$ -	\$ -	\$ 49,970
McVittie, Ossian and Katrine Townships	579,001	157,833	338,024	1,074,858
	<u>\$ 528,971</u>	<u>\$ 157,833</u>	<u>\$ 338,024</u>	<u>\$ 1,124,828</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	-	125,667	453,334	579,001
	<u>\$ 48,965</u>	<u>\$ 125,667</u>	<u>\$ 454,339</u>	<u>\$ 628,971</u>

(An Exploration Stage Enterprise)

## NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

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## 6. 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 three months ended March 31, 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 March 31, 2011 was \$1,124,828 (December 31, 2010 - \$628,971). Management's review of these carrying values indicated that at March 31, 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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

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## 7. RELATED PARTY INFORMATION

A company controlled by a director charged fees in the three months ended March 31, 2011 in the amount of \$36,000 (2010 - \$18,000), 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 \$15,000 (2010 - \$4,500) 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.

## 8. DEFERRED REVENUE

In the December 2010 private placement, the company issued 4,150,000 flow through units at \$0.17 (note 9 (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 will be recognized as a gain on sale of tax benefit associated with renounced exploration expenditures.

## 9. CAPITAL STOCK

### (a) Authorized and Issued

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

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 30<sup>th</sup> day after the date on which such notice is given by the Company. Gross proceeds received totalled \$420,000. In addition, 475,500 common shares were issued and \$31,040 paid in cash as agent fees in the private placement. Other expenses related to the private placement are estimated at \$5,000.

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**9. CAPITAL STOCK (Continued)**

**(a) Authorized and Issued (Continued)**

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 30<sup>th</sup> day after the date on which such notice is given by the Company. Gross proceeds received totalled \$1,807,950. In addition, \$97,500 paid in cash as agent fees in the private placement and the agents were eligible to purchase 716,031 units. Each of these agents' units consists of one common share which the agents may purchase 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% (4,888,257) of the issued and outstanding common shares, with no more than 5% (2,444,128) 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. No options have been granted in 2011 to March 31. Under Black-Scholes, the options issued during 2010 have been valued at \$101,000. \$84,000 was expensed to loss and \$17,000 was capitalized into Interest in Mining Properties, using the following assumptions at the measurement date:

2010

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

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



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**9. CAPITAL STOCK (Continued)**

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

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

	Three months ended March 31, 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	-	-	1,300,000	\$ 0.25
Exercised during the year	-	-	200,000	\$ 0.10
Expired during the year	-	-	-	-
Outstanding at end of year	<u>2,600,000</u>	\$ 0.20	<u>2,600,000</u>	\$ 0.20

The following summarizes information on the stock options outstanding at March 31, 2011:

Weighted average exercise price	0.20
Options exercisable as at March 31, 2011	2,600,000
Weighted average fair value of options granted in 2010	\$101,000

The following table summarizes the options outstanding at March 31, 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
<u>2,600,000</u>		

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**9. CAPITAL STOCK (Continued)**

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

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

	<b>Three Months Ended</b>	
	March 31, 2011	March 31, 2010
Numerator:		
Loss for the period	\$120,577	\$31,325
Denominator:		
Weighted average common shares outstanding	48,604,953	29,748,914
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 March 31, 2011 and 2010 are as follows:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Anti-dilutive potential securities		
Common shares potentially assumable:		
- pursuant to warrants	13,081,225	333,334
- under stock options	2,600,000	1,500,000

**10. WARRANTS**

**(a) Mining Option Agreements**

As part of the three Larder Lake Mining Option Agreements (note 6), 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.

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**10. WARRANTS (Continued)**

**(a) Mining Option Agreements (Continued)**

The fair value of each warrant was estimated on the date of issue. Under Black-Scholes, the warrants issued during the period ended March 31, 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:

	Three Months Ended March 31, 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 July 2010 (note 9(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 30<sup>th</sup> day after the date on which such notice is given by the Company.

Pursuant to the Private Placement in December 2010 (note 9(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 30<sup>th</sup> day after the date on which such notice is given by the Company.

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:

	Year Ended December 31, 2010
Risk free interest rate	1.55% to 1.62%
Expected life	2 years
Price volatility	79% to 104%
Dividend yield	nil

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**10. WARRANTS (Continued)**

**(b) Private Placement (Continued)**

Summary

	Three Months Ended March 31, 2011	Year Ended December 31, 2010
Outstanding at beginning of year	\$587,910	-
Warrants issued		
Mining option agreements	26,500	\$ 15,000
Private placements	-	521,910
Agent fees for private placements	-	51,000
Outstanding at end of period	<u>614,410</u>	<u>587,910</u>

The following table summarizes the warrants outstanding at March 31, 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
133,334	\$0.15	February 2, 2013
<u>13,081,225</u>		

**11. SUPPLEMENTARY CASH FLOW INFORMATION**

The Company did not pay any income taxes nor interest during either of the periods ended March 31, 2011 or 2010.

**12. COMPARATIVE FIGURES**

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

**13. 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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#### 14. 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 three months ended March 31, 2011 or year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

#### 15. 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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**15. 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 March 31, 2011, the Company has cash and cash equivalents of \$1,383,437 (December 31, 2010 - \$1,853,677) to settle accounts payable and accrued liabilities of \$245,203 (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 March 31, 2011, the carrying value amounts of the Company's financial instruments approximates their fair value.