ATEBA RESOURCES INC.

(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS
(Prepared by Management)

UNAUDITED

FOR THE SIX MONTHS ENDED JUNE 30, 2011
(Stated in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW

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

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

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

FINANCIAL STATEMENTS
(Prepared by Management)

UNAUDITED

FOR THE SIX MONTHS ENDED JUNE 30, 2011
(Stated in Canadian dollars)

I N D E X

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

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

ASSETS

	June 30 2011	December 31 2010 (Note 3)
CURRENT		
Cash and cash equivalents	$ 981,949	$ 1,853,677
Accounts receivable	72,346	57,539
Marketable securities (note 4)	889	2,223
Deposits	50,000	50,000
	1,105,184	1,963,439
INTEREST IN MINING PROPERTIES (note 5)	1,566,683	628,971
	$ 2,671,867	$ 2,592,410

LIABILITIES

	June 30 2011	December 31 2010
CURRENT		
Accounts payable and accrued liabilities	$ 398,078	$ 175,224
DEFERRED REVENUE (note 7)	166,000	166,000

SHAREHOLDERS' EQUITY

	June 30 2011	December 31 2010
CAPITAL STOCK (note 8)	24,123,991	24,075,991
WARRANTS (note 9)	614,410	587,910
CONTRIBUTED SURPLUS	155,000	140,000
ACCUMULATED OTHER COMPREHENSIVE LOSS	(667)	(1,526)
DEFICIT	(22,784,945)	(22,551,189)
	2,107,789	2,251,186
	$ 2,671,867	$ 2,592,410

GOING CONCERN (note 2 (b))

Approved by the Board:

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

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

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

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

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

	Three Months Ended June 30 2011	Three Months Ended June 30 2010	Six Months Ended June 30 2011	Six Months Ended June 30 2010
REVENUE				
Interest	$ 481	$ 476	$ 1,981	$ 1,052
EXPENSES				
Office, general and investor relations	72,660	22,489	158,544	43,765
Directors' fees	4,500	2,250	9,500	4.500
Consulting fees	16,500	3,625	31,500	9,500
Professional fees	20,000	4,750	34,000	7,250
Stock-based compensation	-	6,000	-	6,000
Loss on disposal of marketable securities	-	-	2,193	-
	113,660	39,114	235,737	71,015
LOSS FOR THE PERIOD	113,179	38,638	233,756	69,963
Basic and diluted earnings loss per share (Note 8(c))	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

	Three Months Ended June 30 2011	Three Months Ended June 30 2010	Six Months Ended June 30 2011	Six Months Ended June 30 2010
Loss for the period	$113,179	$ 38,638	$ 233,756	$ 69,963
Other comprehensive income:				
Unrealized (gain) loss on marketable securities (note 4)	667	245	1,334	(412)
Comprehensive loss for the year	$ 113,846	$ 38,883	$ 235,090	$ 69,551

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

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

STATEMENTS OF CHANGES IN EQUITY
(Stated in Canadian dollars)
(Prepared by Management)

	Common Shares		Warrants					
	Number	Amount	Number	Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
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
Stock options issued charged to mining properties					15,000			15,000
Net loss and comprehensive loss for the period	-	-	-	-	-	(1,334)	(233,756)	(235,090)
Balances, June 30, 2011	48,882,579	$ 24,123,991	13,081,225	$ 614,410	$ 155,000	$ (667)	$ (22,784,945)	$2,107,789
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
Stock-based compensation charged to operations					6,000			6,000
Net loss and comprehensive income for the period	-	-	-	-	-	412	(69,963)	(69,551)
Balances, June 30, 2010	29,860,026	$ 22,687,158	333,334	$ 8,333	$ 51,000	$ (2,263)	$ (22,303,485)	$ 440,743

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 June 30 2011	**Three Months Ended** June 30 2010	**Six Months Ended** June 30 2011	**Six Months Ended** June 30 2010
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Loss for the period	($ 113,179)	($ 38,638)	($ 233,756)	($ 69,963)
Add item not affecting cash:				
Stock-based compensation	-	6,000	-	6,000
Loss on disposal of marketable Securities	-	-	2,193	-
Net changes in non-cash working capital balance:				
Accounts receivable	(14,329)	(1,174)	(14,807)	(1,676)
Deposits	-	(12,000)	-	4,667
Accounts payable and accrued liabilities	152,875	(5,295)	222,854	(2,748)
Cash provided by (used in) operations	25,367	(51,107)	(23,516)	(63,720)
CASH USED IN INVESTING ACTIVITIES:				
Interest in mining properties	(426,855)	(14,120)	(848,212)	(97,602)
Cash used in investing	(426,855)	(14,120)	(848,212)	(97,602)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:				
Common shares issued	-	-	-	23,333
Cost of warrants issued	-	-	-	8,333
Cash provided by financing	-	-	-	31,666
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(401,488)	(65,227)	(871,728)	(129,656)
CASH POSITION AT BEGINNING OF THE PERIOD	1,383,437	391,378	1,853,677	455,807
CASH POSITION AT END OF THE PERIOD	$ 981,949	$ 326,151	$ 981,949	$ 326,151

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.
(An Exploration Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 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").

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

These financial statements have been approved by the Board of Directors of the Company on August 18, 2011.

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

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

The Company incurred a loss of $243,417 for the six months ended June 30, 2011 (2010 – $69,963) and has working capital of $707,106 as at June 30, 2011 (December 31, 2010 –$1,788,215). The ability of the Company to carry out its business plan rests with its ability to secure additional equity and other financing.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011
(Stated in Canadian dollars)
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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, 2011 Amount	December 31, 2010 Amount
Marketable securities:		
Fair value	$ 889	$ 2,223
Cost	1,556	3,749
Accumulated unrealized loss	$ 667	$ 1,526

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

5. INTEREST IN MINING PROPERTIES

Accumulated mineral property costs have been incurred as follows:

2011

	Balance, beginning of the year	Acquisition	Exploration	Balance, June 30, 2011
Elliot Lake	$ 49,970	$ -	$ -	$ 49,970
McVittie, Ossian and Katrine Townships	579,001	157,833	779,879	1,516,713
	$ 628,971	$ 157,833	$ 779,879	$ 1,566,683

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
	$ 48,965	$ 125,667	$ 454,339	$ 628,971

(Stated in Canadian dollars)

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, 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	$ 280,000	$ 1,866,666	$ 3,416,667

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 June 30 2011 was $1,557,022 (December 31, 2010 - $628,971). Management's review of these carrying values indicated that at June 30, 2011, the properties were not impaired. Management's conclusion is dependent on assumptions about several factors including future operating costs, mineral production levels, future mineral prices and capital equipment needs and costs. Management will continue to monitor the critical factors impacting its impairment analysis and will re-evaluate the carrying value of its long-lived assets as necessary.

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011
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6. RELATED PARTY INFORMATION

A company controlled by a director, William P. Dickie, charged fees in the three months ended June 30, 2011 in the amount of $72,000 (2010 - $36,000), 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 $30,000 (2010 - $9,500) 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.

7. DEFFERED REVENUE

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

8. 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 30th 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.

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011
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8. 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 $0.13per unit and $0.17per flow through unit. Each unit consisted of one common share in the capital of the Company and one-half Common Share purchase warrant. Of these 12,630,385 units, 4,150,000 units have been designated as flow through units (each flow through unit consisting of one flow through common share and one-half common share purchase warrant). Each Warrant entitles the holder thereof to purchase one-half Common Share for a period of two years from the closing of the Offering at a price of CDN $0.25 per Common Share, provided that if, at any time after the date of issuance of such Warrant, the Common Shares trade on a stock exchange at a price of $0.40 per Common Share or greater for a period of twenty (20) consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. Gross proceeds received totalled $1,807,950. In addition, $97,500 paid in cash as agent fees in the private placement and the agents were eligible to purchase 716,031units. 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.

(a) 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. 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. Under Black-Scholes, the options issued during 2011, have been valued at $15,000 and have been was capitalized into Interest in Mining Properties (2010 - $101,000 of which $84,000 was expensed to loss and $17,000 and has been was capitalized into Interest in Mining Properties), using the following assumptions at the measurement date:

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

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

ATEBA RESOURCES INC.
(An Exploration Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011
(Stated in Canadian dollars)
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8. 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, 2011		Year ended December 31, 2010	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise price
Outstanding at beginning of year	2,600,000	$ 0.20	1,500,000	$ 0.15
Granted during the year	150,000	0.30	1,300,000	$ 0.25
Exercised during the year	-	-	200,000	$ 0.10
Expired during the year	-	-	-	-
Outstanding at end of year	2,750,000	$ 0.21	2,600,000	$ 0.20

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

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

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

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

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8. 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:

	Six Months Ended	
	June 30, 2011	June 30, 2010
Numerator:		
Loss for the period	$243,41 7	$69,963
Denominator:		
Weighted average common shares outstanding	48,792,339	29,799,470
Basic and diluted loss per share		
For the period	$0.00	$0.00

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

	Six Months Ended June 30, 2011	Six Months Ended June 30 2010
Common shares potentially assumable:		
- pursuant to warrants	13,081,225	333,334
- under stock options	2,750,000	1,700,000

9. WARRANTS

(a) Mining Option Agreements

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

ATEBA RESOURCES INC.
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NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011
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9. 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 June 30, 2010 have been valued at $26,500 (year ended December 31, 2010 - $15,000) and capitalized into the cost of the mining properties, using the following assumptions at the measurement date:

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

(b) Private Placements

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

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

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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NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011
(Stated in Canadian dollars)
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9. WARRANTS (Continued)

(b) Private Placement (Continued)

Summary

	Six Months Ended June 30 2011	Year Ended December 31, 2010
Outstanding at beginning of year	$587,910	-
Warrants issued		
Mining option agreements	26,500	$ 15,000
Private placements	-	521,910
Agent fees for private placements	-	51,000
Outstanding at end of period	$614,410	$587,910

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

Number of Warrants	Exercise Price	Expiry Date
200,000	$0.15	January 28 2012
133,334	$0.15	February 2, 2012
5,250,000	$0.12	July 7,2012
133,334	$0.15	December 2, 2012
7,031,223	$0.25	December 22, 2012
200,000	$0.15	January 28 2013
133,334	$0.15	February 2, 2013
13,081,225		

10. SUPPLEMENTARY CASH FLOW INFORMATION

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

11. SEGMENTED INFORMATION

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

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, 2011 or year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

13. FINANCIAL INTRUMENTS 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.

13. FINANCIAL INTRUMENTS 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 June 30, 2011, the Company had cash and cash equivalents of $981,949 (December 31, 2010 - $1,853,677) to settle accounts payable and accrued liabilities of $398,078 (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 June 30, 2011, the carrying value amounts of the Company's financial instruments approximates their fair value.