

ATEBA RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)

Financial Statements

Years ended December 31, 2016 and 2015

Independent Auditor's Report

To the Shareholders of Ateba Resources Inc.

We have audited the accompanying financial statements of **Ateba Resources Inc.**, which comprise the statements of financial position as at December 31, 2016 and December 31, 2015 and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Ateba Resources Inc. as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates that Ateba Resources Inc. has incurred losses for the years ended December 31, 2016 and December 31, 2015. This fact, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Jones & O'Connell LLP

Jones & O'Connell LLP
Chartered Professional Accountants
Licensed Public Accountants

October 11, 2017
St. Catharines, Ontario

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ateba Resources Inc. (the “Company”) are the responsibility of management and the Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Lisa McCormack” (signed)
Lisa McCormack, CEO

“Arvin Ramos” (signed)
Arvin Ramos, CFO

ATEBA RESOURCES INC.

(an exploration stage company)
Statements of Financial Position
As at December 31,

	Note	2016	2015
Assets			
Current assets:			
Cash and cash equivalents		\$ 22	\$ 590
Accounts receivable	6	11,142	10,239
		\$ 11,164	\$ 10,829
Liabilities and Shareholders' Deficiency			
Current liabilities:			
Accounts payable and accrued liabilities	8 & 10	\$ 176,848	\$ 633,429
Due to related parties	9	\$ 6,400	2,900
		183,248	636,329
Shareholders' deficiency:			
Share capital	11	24,893,301	24,893,301
Contributed surplus	12	903,452	901,643
Warrant reserve	13	-	1,809
Accumulated deficit		(25,968,837)	(26,422,253)
		(172,084)	(625,500)
		\$ 11,164	\$ 10,829

Nature of Operations and Going Concern – *Note 1*

Subsequent Events – *Note 16*

Approved on behalf of the Board:

"Lisa McCormack"

Director (Signed)

"Arvin Ramos"

Director (Signed)

The accompanying notes are an integral part of these financial statements

ATEBA RESOURCES INC.

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Statements of Operations and Comprehensive Loss

Year ended December 31,

	Note		2016		2015
Operating expenses:					
Office, general and investor relations		\$	62,123	\$	91,962
Directors' fees	10		-		12,000
Consulting fees			40,000		60,000
Professional fees			48,859		12,160
			150,982		176,122
Write-down of interest in mining properties	7	\$	-	\$	1,258,451
Reversal of accounts payable and accrued liabilities			(604,398)		-
Net income (loss) and comprehensive income (loss)		\$	453,416	\$	(1,434,573)
Weighted average number of common shares	14		58,032,579		58,032,579
Income (loss) per share - basic and diluted	14	\$	0.01	\$	(0.02)

The accompanying notes are an integral part of these financial statements

ATEBA RESOURCES INC.

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Statements of Changes in Shareholders' Deficiency

Year ended December 31, 2016 and 2015

	Number of common shares	Share capital	Contributed Surplus	Warrants reserve	Accumulated Deficit	Total
Balance at January 1, 2016	58,032,579	\$ 24,893,301	\$ 901,643	\$ 1,809	\$ (26,422,253)	\$ (625,500)
Expiry of warrants	-	-	1,809	(1,809)	-	-
Comprehensive income for the year	-	-	-	-	453,416	453,416
Balance at December 31, 2016	58,032,579	\$ 24,893,301	\$ 903,452	\$ -	\$ (25,968,837)	\$ (172,084)

	Number of common shares	Share capital	Contributed Surplus	Warrants reserve	Accumulated Deficit	Total
Balance at January 1, 2015	58,032,579	\$ 24,893,301	\$ 900,550	\$ 2,902	\$ (24,987,680)	\$ 809,073
Expiry of warrants	-	-	1,093	(1,093)	-	-
Comprehensive loss for the year	-	-	-	-	(1,434,573)	(1,434,573)
Balance at December 31, 2015	58,032,579	\$ 24,893,301	\$ 901,643	\$ 1,809	\$ (26,422,253)	\$ (625,500)

The accompanying notes are an integral part of these financial statements

ATEBA RESOURCES INC.

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Statements of Cash Flows

Year ended December 31,

	Note	2016	2015
Cash flows from operating activities:			
Comprehensive income (loss) for the year		\$ 453,416	\$ (1,096,963)
Adjustments for			
Write-down of interest in mining properties	7	-	1,452,584
Reversal of accounts payable and accrued liabilities		(604,398)	
Change in non-cash operating working capital			
Accounts receivables		(903)	235
Accounts payable and accrued liabilities	8	147,816	(365,164)
		(4,068)	(9,307)
Cash flows from financing activities:			
Proceeds from due to related party	9	3,500	2,900
		3,500	2,900
Decrease in cash and equivalents		(568)	(6,407)
Cash and cash equivalents, beginning of the year		590	6,997
Cash and cash equivalents, end of the year		\$ 22	\$ 590

The accompanying notes are an integral part of these financial statements

ATEBA RESOURCES INC.

(an exploration stage company)

Notes to the Financial Statements

Year ended December 31, 2016 and 2015

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of Operations

Ateba Resources Inc. (the "Company" or "Ateba") was formed under the laws of the Province of Ontario on February 1, 1988. The primary office is located at 400 – 365 Bay Street, Toronto, ON M5H 2V1.

The Company is primarily engaged in the acquisition and exploration of mineral properties in Canada.

As at December 31, 2016, the Company had a working capital deficiency of \$172,084 (2015 – \$625,500), had not yet achieved profitable operations, has accumulated losses of \$25,968,837 (2015 - \$26,422,253) and expects to incur future losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on the basis that the Company will continue as a going concern and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of interest in mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements.

When stock market conditions become favourable for mineral exploration companies to raise capital, management plans to secure the necessary financing through a combination of the exercise of existing warrants for the purchase of common shares, the issue of new equity or debt instruments and the entering into joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

The Company will require substantial additional funds to further explore and, if warranted, develop its exploration properties. The Company has limited financial resources and no current source of recurring revenue, and there is no assurance that additional funding will be available to the Company to carry out the completion of its planned exploration activities. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and property development. The terms of any additional financing obtained by the Company could result in substantial dilution to the shareholders of the Company.

ATEBA RESOURCES INC.

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Notes to the Financial Statements

Year ended December 31, 2016 and 2015

2. BASIS OF PRESENTATION

a) Statement of Compliance with International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the Interpretations of the IFRS Interpretations Committee (“IFRIC”). These financial statements were authorized by the Board of Directors of the Company on October 11, 2017.

b) Basis of presentation

These financial statements have been prepared on a historical cost basis.

c) Functional currency

The Company’s functional and reporting currency as determined by management, is the Canadian dollar.

d) Adoption of new and revised standards and interpretations

New standards and interpretations adopted

No new relevant standards were applied for the first time during the year ended December 31, 2016.

Standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee (“IFRSIC”) that are mandatory and would be applicable to Ateba for annual periods on or after January 1, 2016. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- IFRS 9 – Financial instruments (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The Company has yet to assess the full impact of IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, early adoption is permitted.
- IFRS 16 – Leases – The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, “Leases”. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Company is assessing the impact of this standard on the Company’s financial statements.

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Notes to the Financial Statements

Year ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES

a) 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.

b) Use of estimates and judgments

The preparation of these financial statements requires management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities, revenue and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to, impairment of assets and the useful life of capital and intangible assets.

c) Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers and employees. The Board of Directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at exercise prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options for employee services is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options using the graded vesting method. The fair value is recognized as an expense with the corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments for non-employee services are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

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Notes to the Financial Statements

Year ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

e) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

ATEBA RESOURCES INC.

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Notes to the Financial Statements

Year ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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 December 31, 2016, 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.

g) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through the statement of comprehensive loss. The Company's cash is classified as FVTPL.

Financial assets classified as loans-and-receivables are measured at amortized cost. The Company's HST recoverable is classified as loans-and-receivables.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

h) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as either FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. The Company's trade and other payables and the loan payable due to a related party are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss. At December 31, 2016 and December 31, 2015 the Company has not classified any financial liabilities as FVTPL.

i) Impairment of financial assets

The Company assesses, at each date of the statement of financial position, whether a financial asset is impaired.

ATEBA RESOURCES INC.

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Notes to the Financial Statements

Year ended December 31, 2016 and 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Ateba's officers and directors are considered related parties due to the significant influence they have over Ateba's operations. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. CAPITAL MANAGEMENT

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 properties and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management as this form of measure is irrelevant to the effective management of capital for an exploration stage company. Instead, the Board relies on the expertise of the Company's managements to sustain future development of the business.

All of the properties in which the Company currently has an interest are in the exploration stage with no operating revenues; as such the Company is solely dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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 year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

5. FINANCIAL INSTRUMENTS

Fair value

The Company has designated its cash fair value through profit and loss ("FVTPL"), which are measured at fair value. Trade and other payables and loan payable are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other payables are determined from transaction values which were derived from observable market inputs.

As at December 31, 2016, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the balance sheet.

ATEBA RESOURCES INC.

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Notes to the Financial Statements

Year ended December 31, 2016 and 2015

5. FINANCIAL INSTRUMENTS (continued)

- **Cash**

Cash and cash equivalents are held with major Canadian banks and therefore the risk of loss

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2016, the Company had a working capital deficiency of \$172,084 (2015 – \$625,500). In order to meet its longer-term working capital and property exploration expenditures, the Company intends on securing further financing to ensure that those obligations are properly discharged. As such, management believes that the Company will then have sufficient working capital to discharge its current and anticipated obligations for a minimum of one year. There can be no assurance that Ateba will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Ateba may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain adequate additional financing on a timely basis could cause the Company to forfeit some or all of its interests and reduce or terminate its operations therein.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

- **Interest rate risk**

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

In terms of interest rate risk on the related party loans outstanding as of December 31, 2016. Management believes there is minimal risk that the interest rate on the loan would change significantly prior to being repaid.

6. ACCOUNTS RECEIVABLES

As at December 31, 2016, the Company has HST recoverable of \$11,142 (2015 - \$10,239).

7. INTEREST IN MINING PROPERTIES

Accumulated mineral property costs have been incurred as follows:

	Balance, beginning of the year	Acquisition	Exploration	Writedown	Balance, December 31, 2016
Elliot Lake	\$ -	\$ -	\$ -	\$ -	\$ -
Larder Lake Group	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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Notes to the Financial Statements

Year ended December 31, 2016 and 2015

7. INTEREST IN MINING PROPERTIES (continued)

	Balance, beginning of the year	Acquisition	Exploration	Writedown	Balance, December 31, 2015
Elliot Lake	\$ 52,794	\$ -	\$ -	\$ 52,794	\$ -
Larder Lake Group	1,205,658	-	-	1,205,658	-
	<u>\$ 1,258,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,258,451</u>	<u>\$ -</u>

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 year ended December 31, 2016 of \$nil (2015 - \$nil) in order to maintain the property interest in good standing. During the year ended December 31, 2015, the interest in Elliott Lake has been written down to \$0.

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 2014, management decided to write down the carrying cost of two of the option agreements to \$1 due to poor drilling results and its inability to raise additional capital for future exploration.

In 2012 and 2013, the Company became delinquent in making payments for a total of \$113,333 and issuing share units to one of the optionors of this property. This optionor had agreed to reinstate the terms of the option agreements provided that the Company make periodic payments by specific dates up to and including May 1, 2015. The company was unable to raise this capital and has decided to write down the carrying value for two of its option agreements to \$nil during the year ended December 31, 2015.

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. The company decided to write off the carrying value of the staked claims to nil due to its inability to raise capital for future exploration.

Measurement Uncertainty

The carrying values of the Company's mining properties at December 31, 2016 was \$nil (2015 - \$nil) after the write down of \$nil in 2016 (2015 - \$1,258,481). 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.

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Notes to the Financial Statements

Year ended December 31, 2016 and 2015

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

<i>As at December 31,</i>	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 63,558	\$ 481,212
Accrued liabilities	113,290	152,217
	<u>\$ 176,848</u>	<u>\$ 326,101</u>

9. DUE TO RELATED PARTIES

As at December 31, 2016, certain shareholders loaned the Company \$6,400 (2015 - \$2,900) to cover some of the payables that became due. The loan is ono-interest bearing, with no fixed terms of repayment, due on demand and is unsecured.

10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The financial statements include balances and transactions with directors and/or officers of the Company. The company defines its key management as its CEO, CFO, and its board of directors. These expenditures are summarized as follows:

<i>For the year ending December 31,</i>	<u>2016</u>	<u>2015</u>
Office, general and administrative relations	\$ 49,000	\$ 77,000
Consulting	\$ 20,000	\$ 60,000
Reversal of accounts payable and accrued liabilities	\$ (545,466)	\$ -

As at December 31, 2016, included in accounts payable and accrued liabilities is \$30,000 (2015 – \$475,671) due to related parties.

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.

11. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. The following is a summary of changes in common share capital:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2013	57,232,580	\$ 24,889,291
Shares issued on mining option agreement	799,999	4,010
Balance, December 31, 2016, 2015 and 2014	<u>58,032,579</u>	<u>\$ 24,893,301</u>

Diluted weighted average number of shares outstanding

	<u>Year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Basic weighted average shares outstanding	58,032,579	58,032,579
Diluted weighted average shares outstanding	58,032,579	58,032,579

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12. SHARE-BASED PAYMENT RESERVE

Share Option Plan

The Board of Directors of the Company adopted a stock option plan (the "Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 10% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must at all times comply with the policies of the Canadian Stock Exchange and the Plan.

The terms of any options granted under the Plan are fixed by the Board of Directors and may not exceed a term of five years. The exercise price of the options granted under the Plan is set at the last closing price of the Company's common shares before the date of grant.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

A summary of the change in the Company's stock options is as follows:

		Weighted average exercise price	Number of options
Balance at December 31, 2014	\$	0.14	3,250,000
Expired	\$	0.27	(1,100,000)
Balance at December 31, 2015	\$	0.07	2,150,000
Expired	\$	0.07	(2,150,000)
Balance at December 31, 2016	\$	0.00	-

The following table summarizes the exercise price of outstanding and exercisable stock options as at December 31, 2015:

Weighted average exercise price	Number of options	Weighted average remaining life (years)	Vested and exercisable
\$ 0.05	150,000	0.26	150,000
\$ 0.30	2,000,000	2.04	2,000,000
	2,150,000	1.92	2,150,000

13. WARRANT RESERVE

The following is a summary of warrants:

Expiry date	Balance, December 31, 2015	Expired or retracted	Balance, December 31, 2016	Weighted average exercise price
January 28, 2016	200,000	(200,000)	-	-
February 2, 2016	133,333	(133,333)	-	-
Total	333,333	(333,333)	-	-

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14. INCOME (LOSS) PER SHARE

The calculation of basic and diluted income (loss) per share for the year ended December 31, 2016 was based on the income (loss) attributable to common shareholders of \$453,416 (2015 – (\$1,434,573)) and the weighted average number of common shares outstanding of 58,032,579 (2015 – 58,032,579). Diluted income (loss) per share did not include the effect of nil stock options (2015 – 2,150,000) and nil warrants (2015 – 333,333) as they are anti-dilutive.

15. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes. The Company has no future tax liabilities.

Future income tax assets arise from the following:	<u>2016</u>	<u>2015</u>
Future tax assets:		
Resource properties	\$ 836,008	\$ 836,008
Non-capital loss carry-forwards	546,453	659,895
Capital loss carry-forwards	164,785	164,785
Capital assets	8,816	11,415
Cumulative eligible capital	<u>54,671</u>	<u>58,786</u>
	1,610,733	1,730,889
Less: valuation allowance	<u>(1,610,733)</u>	<u>(1,730,889)</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company provided a valuation allowance equal to the future tax assets as it is not presently more likely than not that they will be realized. The Company's income tax expense for each of the years ended is \$Nil.

The Company's provision for income taxes differ from the amounts computed by applying the basic current rates to income (loss) for the year before taxes, as shown in the following table:

	<u>2016</u>	<u>2015</u>
Statutory rate applied to income (loss) for the year before income taxes	\$ 120,156	\$ (380,162)
Increase (reduction) in taxes resulting from		
Resource properties	-	333,490
Reversal of accounts payable and accrued liabilities	(160,165)	-
Capital cost allowance	(2,599)	(3,417)
Cumulative eligible capital	(4,115)	(4,425)
Share issue costs	-	(3,222)
Tax loss not benefited	<u>46,723</u>	<u>57,736</u>
Provision for income taxes	<u>\$ -</u>	<u>\$ -</u>

The company has non-capital loss carryforward, which can be used to reduce future income taxes payable, expiring as follows: 2030 - \$291,895, 2031 - \$468,167, 2032 - \$400,835, 2033 - \$244,613, 2034 - \$213,953, 2035 - \$217,874 and 2016 - \$176,315. The company also has capital loss carryforward, which can be applied against future capital gains in the amount of \$1,243,658. The Company also has Canadian Exploration and Development Expenditures of approximately \$2,887,436 and Foreign Resource Expenditures of \$267,310 which can be used to reduce taxable income in future years. No benefit from these amounts has been recorded in these financial statements.

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16. SUBSEQUENT EVENTS

On February 1, 2017, the Company signed an agreement whereby it can borrow up to \$25,000 from Generic Capital Corporation (the "Lender"), bearing interest at a rate of 10% per annum, payable upon demand by the Lender.