



**FIREBIRD RESOURCES INC.**

Consolidated Interim Financial Statements

Period Ended July 31, 2013

(Unaudited)

(Expressed in Canadian dollars)

## **FIREBIRD RESOURCES INC.**

### **NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the consolidated interim financial statements, they must be accompanied by a notice indicating that the consolidated interim financial statements have not been reviewed by an auditor.

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

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

September 16, 2013

## FIREBIRD RESOURCES INC.

Consolidated statements of financial position  
(Expressed in Canadian dollars)

	July 31, 2013 (Unaudited) \$	April 30, 2013 (Audited) \$
Assets		
Current assets		
Cash	23,182	19,262
Amounts receivable	7,987	15,373
Loan receivable, net of unamortized discount of \$2,297 (2012 - \$nil) (Note 4)	494,645	507,691
Total current assets	525,814	542,326
Total assets	525,814	542,326
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	499,880	461,522
Due to related party (Note 5)	151,857	131,187
Total current liabilities	651,737	592,709
Convertible debenture, net of unamortized discount of \$85,820 (April 30, 2013 - 99,498) (Note 7)	169,180	155,502
Total liabilities	820,917	748,211
Shareholders' equity (deficit)		
Share capital	19,524,482	19,524,482
Share-based payment reserve	2,894,941	2,894,941
Equity portion of convertible debenture (Note 7)	231,092	231,092
Deficit	(22,945,618)	(22,856,400)
Total shareholders' equity (deficit)	(295,103)	(205,885)
Total liabilities and shareholders' equity (deficit)	525,814	542,326

Nature of operations and continuance of business (Note 1)

Approved and authorized for issue by the Board of Directors on September 16, 2013:

Signed "Thomas R. Tough"

Thomas R. Tough, Director

Signed "Glen Macdonald"

Glen Macdonald, Director

(The accompanying notes are an integral part of these consolidated financial statements)

**FIREBIRD RESOURCES INC.**

Consolidated statements of operations and comprehensive loss  
(Expressed in Canadian dollars)  
(Unaudited)

	Period ended July 31, 2013 \$	Period ended July 31, 2012 \$
Revenue	–	–
Expenses		
Exploration and evaluation expenditures	30,894	113,146
General and administrative (Note 5)	12,802	37,856
Management fees (Note 5)	36,630	50,838
Professional fees	3,000	11,067
Total operating expenses	83,326	212,907
Loss before other income (expense)	(83,326)	(212,907)
Other income (expense)		
Accretion of discount on loan receivable	6,604	11,485
Accretion of discount on convertible debenture	(13,678)	(11,381)
Interest expense	(6,427)	(6,410)
Interest income	7,609	12,267
Total other income (expense)	(5,892)	5,961
Net loss and comprehensive loss	(89,218)	(206,946)
Basic and diluted net loss per share	(0.00)	(0.00)
Weighted average number of shares outstanding	81,010,417	81,010,417

(The accompanying notes are an integral part of these consolidated financial statements)

**FIREBIRD RESOURCES INC.**

Consolidated statements of changes in equity

(Expressed in Canadian dollars)

(Unaudited)

	Share capital		Share subscriptions received \$	Share-based payment reserve \$	Equity component of convertible debt \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$					
Balance, April 30, 2012	81,010,417	19,524,482	–	2,894,941	231,092	(22,182,819)	467,696
Net loss for the period	–	–	–	–	–	(206,946)	(206,946)
Balance, July 31, 2012	81,010,417	19,524,482	–	2,894,941	231,092	(22,389,765)	260,750

	Share capital		Share subscriptions received \$	Share-based payment reserve \$	Equity component of convertible debt \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$					
Balance, April 30, 2013	81,010,417	19,524,482	–	2,894,941	231,092	(22,856,400)	(205,885)
Net loss for the period	–	–	–	–	–	(89,218)	(89,218)
Balance, July 31, 2013	81,010,417	19,524,482	–	2,894,941	231,092	(22,945,618)	(295,103)

(The accompanying notes are an integral part of these consolidated financial statements)

**FIREBIRD RESOURCES INC.**

Consolidated statements of cash flows  
(Expressed in Canadian dollars)  
(Unaudited)

	Period ended July 31, 2013 \$	Period ended July 31, 2012 \$
<b>Operating Activities</b>		
Net loss	(89,218)	(206,946)
Items not involving cash:		
Accretion of discount on convertible debenture	13,678	11,381
Accretion of discount on loan receivable	(6,604)	(11,485)
Changes in non-cash working capital items:		
Amounts receivable	13,990	38,347
Accounts payable and accrued liabilities	38,358	90,254
Due to related party	20,670	18,670
<b>Net cash used in operating activities</b>	<b>(9,126)</b>	<b>(59,779)</b>
<b>Investing Activities</b>		
Repayment of (advances to) loan receivable	13,046	7,251
<b>Net cash provided by (used in) investing activities</b>	<b>13,046</b>	<b>7,251</b>
Change in cash	3,920	(52,528)
Cash, beginning of period	19,262	133,925
Cash, end of period	23,182	81,397
<b>Supplemental disclosures:</b>		
Interest paid	—	—
Income taxes paid	—	—
Interest received	7,609	—

(The accompanying notes are an integral part of these consolidated financial statements)

# **FIREBIRD RESOURCES INC.**

Notes to the consolidated financial statements  
Period ended July 31, 2013  
(Expressed in Canadian dollars)  
(Unaudited)

## **1. Nature of Operations and Continuance of Business**

Firebird Resources Inc. (the "Company") was incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange. The Company is an exploration-stage company that is in the process of exploring its mineral properties located in Canada and the United States of America and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's registered office is located at Suite 1000, 925 West Georgia Street, Vancouver, BC, V6C 3L2.

These consolidated interim financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2013, the Company has not generated any revenues from operations, has an accumulated deficit of \$22,945,618 and has a working capital deficit of \$125,923. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that it has sufficient working capital to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing may be required but will not be available on a timely basis or on terms acceptable to the Company. These consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## **2. Significant Accounting Policies**

### **(a) Basis of presentation and principles of consolidation**

These consolidated 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 Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated interim financial statements have been prepared on a historical cost basis. The consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

The consolidated interim financial statements include the accounts of the Company and its' wholly owned subsidiaries, Falcon Ventures (US) Corp., K.K. Tan International Inc. and Firebird Gold Inc. All significant inter-company balances and transactions have been eliminated on consolidation.

### **(b) Use of Estimates and Judgments**

The preparation of the consolidated interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Significant areas requiring the use of estimates include the valuation of exploration and evaluation assets, discount on loan receivable, measurement of share-based payments, equity component of convertible debenture, and deferred income tax asset valuation allowances.

There are no judgments made by management in the application of IFRS that have a significant effect on the consolidated interim financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years.

### **(c) Cash and Cash Equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

## **FIREBIRD RESOURCES INC.**

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### **2. Significant Accounting Policies (continued)**

#### **(d) Exploration and Evaluation Expenditures**

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are first tested for impairment and then capitalized to mining property and development assets within property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

#### **(e) Reclamation and Remediation Provisions**

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the statements of comprehensive income/loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

#### **(f) Financial Instruments**

##### **(i) Non-derivative financial assets**

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



## **FIREBIRD RESOURCES INC.**

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### **2. Significant Accounting Policies (continued)**

#### (f) Financial Instruments (continued)

##### (i) Non-derivative financial assets (continued)

###### *Financial assets at fair value through profit or loss*

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash is classified as fair value through profit or loss.

###### *Held-to-maturity investments*

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

###### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any assets classified as available-for-sale financial assets.

###### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable and loan receivable.

###### *Impairment of financial assets*

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

## **FIREBIRD RESOURCES INC.**

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### **2. Significant accounting policies** *(continued)*

#### (f) Financial instruments *(continued)*

##### (i) Non-derivative financial assets *(continued)*

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

##### (ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, amounts due to a related party and convertible debenture.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

##### (iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

#### (g) Income Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current period 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, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## **FIREBIRD RESOURCES INC.**

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### **2. Significant Accounting Policies (continued)**

#### **(g) Income Taxes (continued)**

##### *Deferred income tax*

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income 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 by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### **(h) Flow-through Shares**

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. When expenditures are renounced, the deferred income tax liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

#### **(i) Foreign Currency Translation**

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### **(j) Loss Per Share**

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at July 31, 2013, the Company has 14,550,000 (2012 – 16,632,210) potential dilutive shares outstanding.

#### **(k) Comprehensive Loss**

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss.

## **FIREBIRD RESOURCES INC.**

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### **2. Significant Accounting Policies (continued)**

#### **(l) Share-based Payments**

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

#### **(m) Accounting Standards Issued But Not Yet Effective**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended April 30, 2013, and have not been applied in preparing these financial statements.

- New standard IFRS 9, "Financial Instruments"
- New standard IFRS 10, "Consolidated Financial Statements" and IFRS 12 "Disclosure of interests in Other Entities"
- New standard IFRS 11, "Joint Arrangements"
- New standard IFRS 13, "Fair Value Measurement"
- Amendments to IAS 1, "Presentation of Financial Statements"
- Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## FIREBIRD RESOURCES INC.

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### 3. Exploration and Evaluation Expenditures

	Rose Property, Ontario \$	Mountain of Gold, Ontario \$	Pageland, South Carolina \$	Total \$
2014				
<i>Acquisition costs:</i>				
Additions	–	–	15,047	15,047
Total acquisition costs	–	–	15,047	15,047
<i>Exploration costs:</i>				
General exploration	–	–	15,847	15,847
Total exploration costs	–	–	15,847	15,847
Period ended July 31, 2013	–	–	30,894	30,894

#### (a) Rose Property, Ontario

Pursuant to a mineral property option agreement dated January 20, 2005, the Company earned a 100% undivided interest in 42 claims located in the Sudbury area of Ontario by issuing 225,000 common shares, paying \$172,000, and incurring \$180,000 in exploration costs.

Upon commencement of commercial production on the property, the Company will pay a royalty payment of \$0.20 per pound of uranium produced and sold from the property to the option holder. The Company has the option and right to purchase and cancel the royalty payment at anytime in exchange for \$1,200,000. In 2005, the Company staked 62 adjacent claims to the Rose Property, and these additional claims are not subject to the royalty payment on the uranium produced and sold from the property.

On July 27, 2011, the Company completed the spin-out to GTO and distributed the shares it received in exchange for the Company's interest in the Rose Property to shareholders of the Company. As the Spin-out was a related-party transaction, the fair value ascribed to the transaction was equal to the carrying value of the property being \$396,679. Such amount represents a recovery of exploration and evaluation expenditures pursuant to the Company's decision to expense exploration and evaluation expenditures on transition to IFRS.

#### (b) Mountain of Gold, Ontario

Pursuant to a mineral property option agreement dated May 4, 2005, the Company was granted an option to acquire a 100% undivided interest in two claims in the Turnbull area of Ontario. In order to keep the option granted to the Company in good standing, the Company was obligated to:

- i) issue 50,000 common shares on regulatory approval of the agreement;
- ii) issue 50,000 common shares by May 4, 2006; and
- iii) issue 100,000 common shares by May 4, 2007.

The Company has earned a 100% interest in the property, subject to retention by the vendor of a 1% net smelter royalty if the Company commences commercial production on the claims. The Company has the option and right to purchase and cancel 100% of the net smelter royalty at any time for \$1,000,000.

## **FIREBIRD RESOURCES INC.**

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### **3. Exploration and Evaluation Expenditures (continued)**

On December 22, 2011, the Company signed a property option agreement with each of Wedona Resources Inc., a private corporation and Clydesdale Resources Inc. (collectively the "Optionees"), a public company (together, the "Agreements"), whereby the Optionees each can earn a 50% interest in the Company's Mountain of Gold property by incurring \$250,000 in exploration expenditures and paying cash of \$125,000 (or in Clydesdale Resources Inc.'s case, capital stock of equivalent value) over a three-year period until December 31, 2013. As of July 31, 2013, the Company has received \$25,000.

The Company shall have the option (the "Buyback Option") to purchase from the Optionees a 35% working interest in the property (being 70% of its working interest), on the condition that the purchase price under the Buyback Option shall be equal to 250% of the total expenditures that each of the Optionees has incurred on the project as at the time of purchase. Any additional working interest acquired by the Company under the Buyback Option shall be on a basis proportionate with the working interest at the time of exercise. Further, the Buyback Option may only be exercised in increments of 10%, in which case the purchase price shall be prorated accordingly. The Buyback Option expires on December 31, 2015.

#### **(c) Pageland Minerals, South Carolina**

Pursuant to a mineral property option agreement dated June 24, 2010, the Company was granted an option to acquire a 70% undivided interest in mineral claims in South Carolina. In order to keep the option granted to the Company in good standing, the Company is obligated to:

- i) issue common shares with a fair value of \$4,800,000 (issued) by January 31, 2012;
- ii) pay \$200,000 (paid) on or before March 31, 2011;
- iii) pay \$500,000 (paid) on or before June 30, 2011; and
- iv) incur exploration costs of \$495,000 (incurred) by August 31, 2011.

The Company had the option to acquire the remaining 30% interest in the mineral claims in exchange for \$1,800,000 and incurring an additional \$1,000,000 of exploration costs by October 31, 2012. The Company did not exercise this option and the option has expired.

### **4. Loan Receivable**

On July 18, 2011, the Company provided a loan to GTO for \$700,000 to assist with its start-up expenditure costs. Under the terms of the loan, the amount is unsecured, bears interest at Royal Bank of Canada prime rate plus 3% per annum, compounded semi-annually, and is due on July 18, 2013. In addition, the loan is convertible into common shares of GTO using a weighted average closing price of the first ten trading days following GTO's listing of their common shares, subject to a minimum conversion price of \$0.10 per share. On July 15, 2013, the Company extended the repayment date of the loan receivable to September 1, 2013.

The Company recorded the initial value of loan receivable at amortized cost of \$608,697, using a discount rate of 15%, which is management's estimate of the prevailing market rate for a company of similar size and operations. During the period ended July 31, 2013, the Company received repayments of \$19,650 (2012 - \$7,251) for the principal amount and \$5,350 (2012 - \$42,749) for the accrued interest. As of July 31, 2013, the principal balance outstanding is \$496,942 (2012 - \$692,749). During the period ended July 31, 2013, the Company recorded accretion recovery on the loan receivable of \$6,604 (2012 - \$11,485), increasing the carrying value to \$494,645 (2012 - \$507,691).

As at July 31, 2013, accrued interest of \$5,146 (2012 - \$3,017) has been recorded in amounts receivable.

## **FIREBIRD RESOURCES INC.**

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### **5. Related Party Transactions**

- (a) During the period ended July 31, 2013, the Company incurred management fees of \$18,000 (2012 - \$18,000) and rent expense of \$1,500 (2012 - \$1,500) to a company controlled by the Chief Executive Officer of the Company.
- (b) As at July 31, 2013, the Company owed \$151,857 (2012 - \$69,177) to a company controlled by the Chief Executive Officer of the Company for management fees and expenses. The amount owing is unsecured, non-interest bearing, and due on demand.
- (c) As at July 31, 2013, the Company owed \$19,906 (2012 - \$nil) to the former Chief Financial Officer of the Company for accrued management fees. The amount owing is unsecured, non-interest bearing, due on demand and has been included in accounts payable and accrued liabilities.

### **6. Accounts Payable and Accrued Liabilities**

	July 31, 2013 \$	July 31, 2013 \$
Trade payables	432,214	223,706
Accrued liabilities	14,500	38,541
Interest payable	53,166	27,691
	499,880	289,938

### **7. Convertible Debenture**

On December 10, 2009, the Company completed a convertible debenture financing for proceeds of \$255,000. The convertible debenture is unsecured and bears interest at 10% per annum and matures on December 11, 2014. The debenture is convertible into common shares of the Company at \$0.10 per common share at the option of the holder for the duration of the term. The debenture holder was issued 2,550,000 detachable common share purchase warrants exercisable at \$0.10 per share for a period of five years. In connection with this financing, the Company issued 255,000 units with a fair value of \$16,575 as finder's fees. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.10 per share for a period of five years.

The Company split the proceeds of the convertible debenture between debt and equity, based on the relative fair values of the debt, conversion option, and warrants. The amount attributable to the debt was \$23,908 and the amount attributable to the conversion option and warrants was \$231,092. This amount represented a deemed discount on the debt issuance, which is being accreted in the statement of operations using the effect interest rate method over the five year term of the debt. During the period ended July 31, 2013, the Company recorded accretion expense of \$13,678 (2012 - \$11,381). At July 31, 2013, the carrying value of the convertible debenture is \$169,180 (2012 - \$155,502).

## FIREBIRD RESOURCES INC.

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### 8. Share Capital

Authorized: unlimited number of common shares without par value

- (a) On July 5, 2011, the Company completed a private placement of 3,653,000 units at \$0.60 per share for proceeds of \$2,191,800, of which \$373,000 had been received as at July 31, 2011. Each unit consisted of one common share and one-half of a share purchase warrant. Each full share purchase warrant entitles the holder to purchase one additional common share at \$1.00 per share up to January 5, 2013. In connection with this private placement, the Company paid finders' fees of \$152,166 in cash and issued 255,710 share purchase warrants with a fair value of \$82,300. These compensation warrants entitles the holder to purchase one common share at a price of \$0.75 per share up to July 5, 2012. The fair value of the share purchase warrants was \$82,300 calculated using the Black-Scholes option pricing model assuming no dividends, expected volatility of 112%, expected life of one year, and risk-free rate of 1.24%.
- (b) On September 9, 2011, the Company issued 27,150,000 common shares pursuant to the exercise of share purchase warrants for proceeds of \$1,357,500.
- (c) On January 10, 2012, the Company issued 400,000 common shares with a fair value of \$144,000 pursuant to a mineral property option agreement with Pageland Minerals Inc.

### 9. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees, and consultants of the Company to a maximum of 10% of the issued and outstanding common shares, and not exceeding 5% granted to any individual. The stock options have a maximum term of five years and cannot be assigned or transferred.

The following table summarizes the continuity of the Company's stock options:

	Number of Options	Weighted Average Exercise Price \$
Outstanding April 30, 2013	4,500,000	0.60
Expired June 29, 2013	640,000	0.60
Balance July 31, 2013	3,860,000	0.60

Additional information regarding stock options outstanding as at July 31, 2013 is as follows:

Range of exercise prices \$	Outstanding and Exercisable		
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.60	3,860,000	2.66	0.60



## FIREBIRD RESOURCES INC.

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### 10. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, April 30, 2012	9,582,210	0.30
Expired	(2,082,210)	0.97
Balance, April 30, 2013	7,500,000	0.11
Issued (expired)	—	—
Balance, July 31, 2013	7,500,000	0.11

As at July 31, 2013, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
2,400,000	0.25	September 25, 2014
5,100,000	0.05	January 8, 2015
<u>7,500,000</u>		

### 11. Financial Instruments and Risks

#### (a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at July 31, 2013 as follows:

	Fair Value Measurements Using			Balance, July 31, 2013 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	23,182	—	—	23,182

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and due to related party approximate their carrying values due to the relatively short-term maturity of these instruments.

#### (b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consist of GST/HST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

#### (c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

## FIREBIRD RESOURCES INC.

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### 11. Financial Instruments and Risks (continued)

#### (d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

#### (e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

### 12. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, share-based payment reserve, equity portion of convertible debenture, and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2013.

### 13. Segmented Information

The Company is in the business of mineral exploration in Canada and the United States. As such, management has organized the Company's reportable segments by geographic area. The United States segment is responsible for that country's mineral exploration activities while the Canadian segment manages corporate head office activities and is responsible for the Canadian mineral exploration activities. Information concerning Firebird's reportable segments is as follows:

	Period ended July 31, 2013 \$	Period ended July 31, 2012 \$
Consolidated net loss		
Canada	58,324	113,146
USA	30,894	93,800
	89,218	206,946
	July 31, 2013 \$	July 31, 2012 \$
Loan receivable		
Canada	494,645	507,691
USA	—	—
	494,645	648,658

## **FIREBIRD RESOURCES INC.**

Notes to the consolidated financial statements

Period ended July 31, 2013

(Expressed in Canadian dollars)

(Unaudited)

### **14. Sensitivity Analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one-year period:

As at July 31, 2013, the Company's exposure to foreign currency balances is \$13,923 (2012 - \$23,111). The Company believes that a change of 10% in foreign exchange rates would have a minimal effect on gains or losses for the period of approximately \$1,392 (2012 - \$1,460).