

**GTO Resources Inc.**

Interim Financial Statements

For the Three and Six Month Periods Ended October 31, 2011

(Expressed in Canadian Dollars)

(Unaudited)

# **GTO Resources Inc.**

## **NOTICE OF NO AUDITOR REVIEW OF 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 interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited 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 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.

December 22, 2011

**GTO Resources Inc.**

Interim statement of financial position  
(Expressed in Canadian Dollars)  
(unaudited)

	October 31, 2011	July 31, 2011
<b>Assets</b>		
Current Assets		
Cash	\$ 634,976	\$ –
Amounts receivable	11,531	2,384
	\$ 646,507	\$ 2,384
Exploration and evaluation assets (Note 3)	426,084	414,980
	1,072,591	417,364
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 39,799	\$ 45
	39,799	45
Loan payable (Note 4)	700,000	20,679
	739,799	20,724
<b>Shareholders' Equity</b>		
Share capital	\$ 396,680	\$ 396,680
Deficit	(63,888)	(40)
	332,792	396,640
	\$ 1,072,591	\$ 417,364

Nature of operations and going concern (Note 1)  
Subsequent event (Note 8)

Approved on behalf of the Board on December 22, 2011 by:

*Signed "Thomas R. Tough"*

\_\_\_\_\_  
Thomas R. Tough  
Director

*Signed "Glen Macdonald"*

\_\_\_\_\_  
Glen Macdonald  
Director

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

**GTO Resources Inc.**

Interim statement of operations and comprehensive loss  
(Expressed in Canadian Dollars)  
(unaudited)

	Three months ended October 31, 2011	Period from May 10, 2011 (date of inception) to October 31, 2011
Expenses		
General and administrative	\$ 3,187	\$ 3,227
Management fees	6,750	6,750
Professional fees	2,000	2,000
Transfer agent and filing fees	39,862	39,862
Loss before other income	\$ (51,799)	\$ (51,839)
Other income (expense)		
Interest income	\$ –	\$ –
Interest expense	12,049	12,049
Net loss and comprehensive loss	\$ (63,848)	\$ (63,888)
Basic and diluted loss per share	\$ 0.000	\$ (0.005)
Weighted average shares outstanding	22,201,907	11,704,266

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

**GTO Resources Inc.**

Interim statement of changes in equity  
(Expressed in Canadian Dollars)  
(unaudited)

	Number of shares	Share capital	Deficit	Total shareholders' equity
Balance, May 10, 2011 (date of inception)	–	\$ –	\$ –	–
Shares issued pursuant to Arrangement Agreement	22,201,907	396,680	–	396,680
Net loss and comprehensive loss for the period	–	–	(63,888)	(63,888)
Balance October 31, 2011	22,201,907	\$ 396,680	\$ (63,888)	332,792

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

**GTO Resources Inc.**  
Interim statement of cash flows  
(Expressed in Canadian Dollars)  
(unaudited)

	Three months ended October 31, 2011	Period from May 10, 2011 (date of inception) to October 31, 2011
Cash provided by (used in):		
Operating activities		
Net loss for the period	\$ (63,848)	\$ (63,888)
Changes in non-cash working capital items:		
Amounts receivable	(4,147)	(6,531)
Prepaid expenses	—	—
Accounts payable and accrued liabilities	39,754	39,799
Due to related parties	—	—
Net cash from (used in) operating activities	(28,241)	(30,620)
Financing activities		
Proceeds from loan payable	679,321	700,000
Net cash from (used in) financing activities	679,321	700,000
Investing activities		
Loan to an unrelated company	(5,000)	(5,000)
Exploration and evaluation asset expenditures	(11,104)	(29,404)
Net cash from (used in) investing activities	(16,104)	(34,404)
Increase (decrease) in cash during the period	634,976	634,976
Cash, beginning of period	—	—
Cash, end of period	\$ 634,976	\$ 634,976
Non-cash investing and financing activities:		
Common shares issued to acquire exploration and evaluation assets through a plan of arrangement	\$ —	\$ 396,680
Supplemental disclosures:		
Interest paid	\$ 12,049	\$ 12,049

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

## **GTO Resources Inc.**

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011

(unaudited)

### **1. Nature of operations and going concern**

GTO Resources Inc. (the "Company") was incorporated on May 10, 2011 under the Business Corporations Act (British Columbia). Pursuant to an arrangement agreement between Firebird Resources Inc. ("Firebird") and the Company dated May 12, 2011, the Company acquired all of Firebird's interest in and to the Roberts Creelman Property and the Hyman Porter Property located in Ontario, in exchange for common shares of the Company (the "Arrangement"). Pursuant to the terms of the agreement, each Firebird shareholder as at July 27, 2011, being the effective date of the Arrangement, received one new common share in the capital of Firebird and one half of a common share of the Company for each Firebird common share then held, other than as set forth in the Arrangement. Also, pursuant to the Arrangement, holders of common share purchase warrants of Firebird received, in exchange for each Firebird warrant then held, one new common share purchase warrant of Firebird and one half of a common share purchase warrant of the Company, all of which (i) have an exercise price equal to the existing exercise price of the Firebird warrants exchanged, and (ii) have a term equal to the term remaining on the Firebird warrants exchanged. The common shares of the Company commenced trading on the TSX Venture Exchange under the stock symbol GTR effective July 28, 2011.

These financial statements have been prepared on the 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. The interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company. The continued operations of the Company are dependent on its ability to generate future cash flows and/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. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The Company's registered office is located at 1000 Cathedral Place, 925 West Georgia Street, Vancouver, BC, V6C 3L2.

These financial statements were authorized for issue by the Board of Directors on December 22, 2011.

### **2. Significant accounting policies**

#### **(a) Statement of Compliance**

These interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" using accounting policies consistent with the International Financial Reporting Standards ("IFRS").

#### **(b) Basis of Presentation**

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

#### **(c) Use of Estimates and Judgements**

The preparation of the 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.

## **GTO Resources Inc.**

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011

(unaudited)

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

#### (c) Use of Estimates and Judgements (continued)

Significant areas requiring the use of estimates include the impairment of exploration and evaluation assets, fair values of financial instruments, and deferred income tax asset valuation allowances.

#### (d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

#### (e) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### *Mineral Property Options*

The Company does not record any expenditures made by the optionee in its accounts. It also does not recognize any gain or loss on its exploration and evaluation option arrangements but re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the optionee is credited against costs previously capitalized.

#### (f) Joint Interests

Substantially all of the Company's exploration activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

#### (g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.



## **GTO Resources Inc.**

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011

(unaudited)

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

#### **(g) Impairment of Non-Current Assets (continued)**

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of income.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of income.

#### **(h) 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.

## **GTO Resources Inc.**

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011

(unaudited)

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

#### (i) 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.

##### *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. The Company does not have any assets 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 available-for-sale financial assets.

## **GTO Resources Inc.**

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011

(unaudited)

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

#### (i) Financial Instruments (continued)

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

###### *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.

###### *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 becomes probable that the borrower will enter bankruptcy or financial re-organization.

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.

## **GTO Resources Inc.**

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011

(unaudited)

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

#### (i) Financial Instruments (continued)

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

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.

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.

#### (j) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. 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. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

#### (k) 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.

## **GTO Resources Inc.**

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011

(unaudited)

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

#### **(k) Income Taxes (continued)**

##### *Deferred income tax*

Deferred income tax is provided using the balance sheet 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.

#### **(l) 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. As expenditures are incurred, 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.

#### **(m) 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.

#### **(n) Comprehensive Loss**

Comprehensive income (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. The Company's does not have items representing comprehensive income or loss.

## **GTO Resources Inc.**

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011

(unaudited)

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

#### (o) Stock-based Compensation

The Company grants share-based awards to employees, directors and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and contributed surplus. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of income with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital.

Share-based payments arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

#### (p) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended October 31, 2011, and have not been applied in preparing these financial statements.

##### (i) Effective for annual periods beginning on or after July 1, 2011:

###### *Amendments to IFRS 7, "Financial Instruments: Disclosures"*

Increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

##### (ii) Effective for annual periods beginning on or after January 1, 2013:

###### *New standard IFRS 9, "Financial Instruments"*

Partial replacement of IAS 39, "Financial Instruments: Recognition and Measurement"

###### *New standard IFRS 13, "Fair Value Measurement"*

IFRS 13 replaces the fair value measurement guidance currently dispersed across different IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements.

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

## GTO Resources Inc.

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011  
(unaudited)

### 3. Mineral Properties

	Roberts Creelman Property, Ontario \$	Hyman Porter Property, Ontario \$	Total \$
<i>Acquisition costs:</i>			
Balance, May 10, 2011 (date of inception)	–	–	–
Additions	203,892	203,892	407,784
Balance, October 31, 2011	203,892	203,892	407,784
<i>Exploration costs:</i>			
Balance, May 10, 2011 (date of inception)	–	–	–
Geological consulting	18,300	–	18,300
Balance, October 31, 2011	18,300	–	18,300
	222,192	203,892	426,084

#### *Roberts Creelman Property, Ontario*

Pursuant to a mineral property option agreement dated January 20, 2005, Firebird earned a 100% undivided interest in 34 claim units located in the Roberts and Creelman Townships of Sudbury, Ontario. Pursuant to the Arrangement, this undivided interest was transferred to the Company.

#### *Hyman Porter Property, Ontario*

Pursuant to the mineral property option agreement dated January 20, 2005, Firebird earned a 100% undivided interest in 70 claim units located in the Hyman and Porter Townships regions of Sudbury, Ontario. Pursuant to the Arrangement, this undivided interest was transferred to the Company.

Upon commencement of commercial production on the Roberts Creelman and Hyman Porter properties, the Company will pay a royalty payment of \$0.20 per pound of uranium produced and sold from the property to the option holder. Commencing with the year ended January 28, 2010, the Company is obligated to pay a minimum royalty of \$12,000 per year. The Company has the option and right to purchase and cancel the royalty payment at anytime in exchange for \$1,200,000.

### 4. Loan Payable

On July 18, 2011, the Company entered into a loan agreement with Firebird for \$700,000. The loan has a term of two years from the date of the loan agreement. The amount owing is unsecured and bears interest at the Bank of Canada Prime Rate plus 3% per annum calculated semi-annually, and due on July 18, 2013. The borrower has the right at its option, at any time during the term of the loan, to convert all or any part of the principal amount of the loan, plus all accrued and unpaid interest thereon into such number of common shares as may be determined by dividing the conversion price into the convertible amount. The conversion price is to be equal to the volume weighted average closing price of the Company's common shares for the first ten trading days on which trading occurs following listing of the common shares on the TSX Venture Exchange. The conversion price may not be less than \$0.10 per share. Refer also to Note 8.

## GTO Resources Inc.

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011

(unaudited)

### 5. Share Capital

Authorized: Unlimited number of voting common shares  
Unlimited number of preferred shares

On July 27, 2011, the Company issued 22,201,907 common shares to the shareholders of Firebird in exchange for title to the Roberts Creelman and Hyman Porter properties pursuant to the Arrangement Agreement.

### 6. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, May 10, 2011 (date of inception)	–	–
Issued pursuant to Arrangement Agreement	18,238,250	0.11
Balance, October 31, 2011	18,238,250	0.11

As at October 31, 2011, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
913,250	1.00	January 5, 2013
1,200,000	0.25	September 25, 2014
11,000,000	0.05	November 13, 2014
5,125,000	0.05	January 8, 2014
<u>18,238,250</u>		

### 7. Financial Instruments

#### (a) Fair Values

The fair values of other financial instruments, which include amounts receivable, accounts payable, and accrued liabilities, 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 amounts receivable. The carrying amount of financial assets represents the maximum credit exposure. Amounts receivable consists of HST receivable which is due from the Government of Canada.

#### (c) Foreign Exchange Rate Risk

The Company does not have any foreign exchange rate risk.



## **GTO Resources Inc.**

Notes to the interim financial statements

For the three and six month periods ended October 31, 2011

(unaudited)

### **7. Financial Instruments (continued)**

#### (d) Interest Rate Risk

The Company does not have any interest rate risk.

#### (e) 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 debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

#### (f) 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.

The Company's revenues, if any, will be derived from the extraction and sale of mineral resources, such as uranium or rare earth elements. Mineral prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased worldwide production levels due to new extraction developments and improved extraction and production methods. These factors may affect the price of minerals, and, therefore, the economic viability of any of the Company's future exploration projects cannot accurately be predicted. Readers should also refer to Management's Information Circular provided by Firebird Resources Inc. dated April 26, 2011, this may be found on [www.sedar.com](http://www.sedar.com).

### **8. Subsequent Event(s)**

On December 21, 2011, the Company announced that it had signed a Property Acquisition Agreement (the "Agreement") with an arm's-length private corporation whereby the private corporation can earn a 50% interest in GTO's Hyman Porter Property (the "HPP") located near Sudbury, Ontario.

Under the Agreement, the corporations can earn a 50% interest in the property by incurring \$125,000 in exploration expenditures and by paying to GTO \$125,000 in cash or shares of its capital stock. These amounts are to be expended by not later than December 31, 2013.

The Company shall have the option (the "Buyback Option") to purchase from the private corporation its working interest in the HPP on the condition that the purchase price under the Buyback Option (if exercised in full) shall be equal to one hundred fifty percent (150%) of the total expenditures that the corporation has incurred on the HPP as at the time of purchase. Any additional working interests acquired by the Company under the Buyback Option shall be on a basis proportionate with the private corporation's 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 shall expire December 31, 2015.

In addition, the Company reported that it intends to issue 1,600,000 flow-through shares at \$0.06 per flow-through share for proceeds to the Company of \$96,000. It is expected that the funds shall be used on the Company's properties and that no finder's fees will be paid on the flow-through issue.

The Acquisition Agreement and the Private Placement are subject to regulatory approval.