



**DUNCAN PARK**  
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# **Duncan Park Holdings Corporation**

Unaudited Interim Financial Statements

As At and For the Three and Nine Months Ended

August 31, 2012 and 2011

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim financial statements of Duncan Park Holdings Corporation were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the period end unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

## **NOTICE TO READER**

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 and are the responsibility of the Company's management.

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

**Duncan Park Holdings Corporation**  
**Unaudited Interim Statements of Financial Position**  
Expressed in Canadian Dollars  
**August 31, 2012**

	<b>August 31 2012</b>	<b>November 30 2011</b>	<b>December 1 2010</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash (Note 7)	\$104,929	\$351,260	\$318,643
Federal sales tax recoverable	5,637	28,836	26,525
	<u>110,566</u>	<u>380,096</u>	<u>345,168</u>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets			
Dome project (Notes 4 and 8)	1,461,455	1,128,654	194,773
McManus project (Notes 4 and 8)	1,147,151	783,426	-
	<u>2,608,606</u>	<u>1,912,080</u>	<u>194,773</u>
<b>TOTAL ASSETS</b>	<u>\$2,719,172</u>	<u>\$2,292,176</u>	<u>\$539,941</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$107,995	\$148,079	\$38,182
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 10)	10,859,289	10,230,165	8,373,421
Contributed surplus	403,103	316,662	112,000
Warrants	-	10,476	-
Accumulated deficit	(8,651,215)	(8,413,206)	(7,983,662)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>2,611,177</u>	<u>2,144,097</u>	<u>501,759</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$2,719,172</u>	<u>\$2,292,176</u>	<u>\$539,941</u>

**Commitments Note 19**

SIGNED ON BEHALF OF THE BOARD

"Signed" Eric Salsberg

"Signed" Ian McAvity

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

**Duncan Park Holdings Corporation**  
**Unaudited Interim Statements of Operations and Comprehensive Loss**  
**Expressed in Canadian Dollars**  
**For the three and nine month periods ended August 31, 2012 and August 31, 2011**

	Three months ended August 31		Nine months ended August 31	
	2012	2011	2012	2011
<b>EXPENSES</b>				
Compensation (Note 14)	\$34,262	\$131,017	\$130,468	\$196,724
Professional fees				
Legal	15,244	12,118	46,838	74,998
Audit	3,000	6,000	9,000	16,500
Regulatory compliance	4,372	10,746	43,918	41,656
Investor communications	4,038	2,300	19,748	7,275
Finance costs	328	485	1,335	204
Office and general	7,693	3,721	22,691	11,786
<b>TOTAL EXPENSES</b>	<b>68,937</b>	<b>166,387</b>	<b>273,998</b>	<b>349,143</b>
<b>FINANCE INCOME</b>				
Interest and foreign exchange	(434)	(1,526)	(889)	(1,037)
Amortization of flow-through premium	-	-	(35,100)	-
<b>LOSS FOR THE PERIOD</b>	<b>(68,503)</b>	<b>(164,861)</b>	<b>(238,009)</b>	<b>(348,106)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(\$68,503)</b>	<b>(\$164,861)</b>	<b>(\$238,009)</b>	<b>(\$348,106)</b>
<b>LOSS PER SHARE</b>				
Basic	(\$0.001)	(\$0.002)	(\$0.003)	(\$0.004)
Diluted	(\$0.001)	(\$0.002)	(\$0.003)	(\$0.004)
<b>Weighted Average Number of Shares Outstanding</b>	<b>98,096,643</b>	<b>83,028,424</b>	<b>92,367,776</b>	<b>78,422,382</b>

The accompanying notes are an integral part of these financial statements

**Duncan Park Holdings Corporation**  
**Unaudited Interim Statement of Changes in Equity**  
Expressed in Canadian Dollars  
As at August 31, 2012

	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance - December 1, 2010	8,373,421	112,000		(7,983,662)	501,759
Issue of shares to Sphere pursuant to the Dome agreement	172,000				172,000
Issue of flow-through shares and warrants pursuant to a private placement	1,100,000				1,100,000
Issue of flow-through shares and warrants pursuant to a private placement		6,000			6,000
Issue of shares to Sphere pursuant to the Dome agreement	208,000				208,000
Flow-through premium	(52,381)			-	(52,381)
Loss for the period				(348,106)	(348,106)
Resegregation of warrants	(10,476)		10,476		-
Share issue expenses	(132,836)	33,550			(99,286)
Stock-based compensation		12,000			12,000
Issue of shares for cash pursuant to a private placement	598,573				598,573
Share issue expenses	(26,136)				(26,136)
Stock-based compensation		106,446			106,446
Balance August 31, 2011	10,230,165	269,996	10,476	(8,331,768)	\$2,178,869
Stock-based compensation		46,666			46,666
Loss for the period				(81,438)	(81,438)
Balance November 30, 2011	10,230,165	316,662	10,476	(8,413,206)	2,144,097
Issue of flow-through shares pursuant to a December private placement	100,000				100,000
Flow-through premium on December issue	(10,000)				(10,000)
Share issue expenses	(11,458)				(11,458)
Issue of flow-through shares pursuant to a February private placement	240,000				240,000
Flow-through premium on February issue	(11,750)				(11,750)
Share issue expenses	(16,388)				(16,388)
Issue of shares to Sphere pursuant to the Dome agreement	120,000				120,000
Issue of shares for cash	150,000				150,000
Flow-through premium on May issue	(13,350)				(13,350)
Share issue expenses	(5,289)				(5,289)
Stock-based compensation		61,231			61,231
Warrants		10,476	(10,476)		-
Loss for the period					-
Stock-based compensation		14,734			14,734
Issue of shares for cash	90,000				90,000
Share issue expenses	(2,641)				(2,641)
Loss for the period				(\$238,009)	(238,009)
Balance August 31, 2012	10,859,289	403,103	-	(8,651,215)	2,611,177

The accompanying notes are an integral part of these financial statements

**Duncan Park Holdings Corporation**  
**Unaudited Interim Statements of Cash Flows**  
**Expressed in Canadian dollars**  
**For the nine month period ended August 31**

	<u>2012</u>	<u>2011</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(\$238,009)	(\$348,106)
Flow-through share premium	(35,100)	-
Stock-based compensation	75,965	124,446
Increase(decrease) in federal sales tax recoverable	23,199	(32,173)
Increase(decrease) in current liabilities	(40,085)	385,747
	<u>(214,030)</u>	<u>129,914</u>
<b>FINANCING ACTIVITIES</b>		
Issue of flow-through shares for cash	340,000	1,089,524
Financing costs paid	-	-
Advance from director	-	-
Issue of shares for cash	240,000	600,000
Issue of share purchase warrants		10,476
Share issue expenses	(35,776)	(126,849)
	<u>544,224</u>	<u>1,573,151</u>
<b>INVESTING ACTIVITIES</b>		
Investment in exploration properties	(576,525)	(787,733)
<b>INCREASE IN CASH</b>	(246,331)	915,332
<b>CASH</b>		
<b>AT BEGINNING OF PERIOD</b>	351,260	318,643
<b>AT END OF PERIOD</b>	<u>\$104,929</u>	<u>\$1,233,975</u>

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

# **Duncan Park Holdings Corporation**

## **Notes to the Unaudited Interim Financial Statements**

### **For the Three and Nine Month Periods Ended August 31, 2012 and 2011**

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#### **1. NATURE OF BUSINESS AND BUSINESS RISK**

##### **Nature of Business**

The Corporation is incorporated in the Province of Ontario, Canada and is a development stage enterprise operating in the mining industry, devoting its efforts to establishing commercially viable mineral properties by exploring for gold and other precious metals in politically stable areas of the world. Currently it is exploring two properties in Ontario's prolific Red Lake mining district. It raises money by way of private placements and expends that money on exploration activities and administrative expenses. It is a reporting issuer which trades in Canada on the TSX Venture exchange under the symbol DPH-V and in the United States on the OTCQX under the symbol DCNPF.

##### **Business Risk**

At this stage of its development the Corporation has no commercial operations and, therefore, no revenue, and is subject to the normal risks and challenges experienced by other such exploration companies in a comparable stage of development. Specifically, the recovery of the Corporation's investment in mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Corporation has sufficient working capital to meet its essential administrative costs for the remainder of the fiscal year, but must raise the approximately \$20,000 per month needed for other, normal ongoing administrative expenses. Typically it raises funding for exploration and working capital immediately prior to the commencement of each summer and winter phase of the project.

#### **2. BASIS OF PREPARATION**

##### **Statement of compliance**

The financial statements of the Corporation for the year ending November 30, 2012 will be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

These interim financial statements for the three and nine month periods ended August 31, 2012 are the Corporation's third IFRS interim financial statements for part of the period to be covered by the Corporation's first IFRS annual statements for the year ending November 30, 2012 and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

As these interim statements are the Corporation's third financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Corporation's most recent annual financial statements prepared in accordance with pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period. However, these interim financial statements do not include all of the information required for full annual financial statements.

# **Duncan Park Holdings Corporation**

## **Notes to the Unaudited Interim Financial Statements**

### **For the Three and Nine Month Periods Ended August 31, 2012 and 2011**

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These interim financial statements should be read in conjunction with the Corporation's 2011 annual financial statements and the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in Note 20.

These interim financial statements were authorized for issue by the Board of Directors on October 10, 2012.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of October 10, 2012, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the annual financial statements for the year ending November 30, 2012 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

#### **Basis of presentation**

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Corporation's accounting policies. The areas involving a higher degree of judgment of complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

#### **Adoption of new and revised standards and interpretations**

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Corporation's financial year beginning on or after December 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Corporation has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after December 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Corporation's financial statements for the period beginning January 1, 2013, and has not yet considered the impact of the adoption of IFRS 9, but it is not expected to be material.

The Corporation has not early adopted these standards, amendments and interpretations, however the Corporation is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Corporation.

### **3. SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies set out below are expected to be adopted for the year ending November 30, 2012 and have been applied consistently to all periods presented in these interim financial statements and in preparing the opening IFRS statement of financial position at December 1, 2010 for the purpose of transition to IFRS, unless otherwise indicated.



# **Duncan Park Holdings Corporation**

## **Notes to the Unaudited Interim Financial Statements**

### **For the Three and Nine Month Periods Ended August 31, 2012 and 2011**

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#### **Cash and Cash Equivalents.**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk or change in value

#### **Pre-exploration Costs**

Pre-exploration costs are expensed in the period in which they are incurred.

#### **Exploration and Evaluation Expenditures**

Once the legal right to explore a property has been acquired, costs directly related to the exploration and evaluation expenditures (“E&E”) are recognized and capitalized, in addition to the exploration costs. These direct expenditures include such costs as material used, surveying costs, drilling costs and payments made to contractors.

The Corporation assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Some facts and circumstances which may be indicative of possible impairment are: the expiration of the period for which the Corporation has the right to explore the property or the Corporation’s intention not to renew that right; substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.

When a project is deemed to no longer have commercially viable prospects to the Corporation, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of operations and comprehensive loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Investments in exploration and evaluation properties are recorded at cost and are not written down except to the extent that it is determined that their value is impaired.

Any impairment loss identified is recognized as an expense in the statement of operations and comprehensive loss.

# **Duncan Park Holdings Corporation**

## **Notes to the Unaudited Interim Financial Statements**

### **For the Three and Nine Month Periods Ended August 31, 2012 and 2011**

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#### **Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. These include such matters as the provision, if any, required against the carrying value of the properties, stock-based compensation, and future income taxes. Actual results could differ from these estimates.

#### **Financial Instruments**

The Corporation has no complex financial instruments. In reporting its financial position and results of operations in accordance with IFRS, the Corporation classifies its cash and cash equivalents as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost.

#### **Income Taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. At the end of each reporting period the Corporation reassesses unrecognized deferred tax assets. The Corporation recognizes a previous unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### **Share Capital**

Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation's common shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# **Duncan Park Holdings Corporation**

## **Notes to the Unaudited Interim Financial Statements**

### **For the Three and Nine Month Periods Ended August 31, 2012 and 2011**

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#### **Loss Per Share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. In periods of a loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and, accordingly, reported basic and diluted loss per share are equal.

#### **Flow-Through Shares**

The Corporation will from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying expenditures to investors. On issuance, the Corporation bifurcates the flow-through into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon qualifying expenditures being incurred, the Corporation derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two year period. The portion of the proceeds received but not yet expended at the end of the Corporation’s period is disclosed separately as flow-through share proceeds under Note 9.

The Corporation may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. If applicable, this tax is accrued as a financial expense.

#### **Share-based Payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of the grant is charged to the statement of operations and comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive

# **Duncan Park Holdings Corporation**

## **Notes to the Unaudited Interim Financial Statements**

### **For the Three and Nine Month Periods Ended August 31, 2012 and 2011**

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loss/income over the vesting period, described as the period during which all the vesting conditions are satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### **4. EXPLORATION OPTION AGREEMENTS**

The Corporation has entered into two agreements with Sphere Resources Inc. ("Sphere") with respect to two properties in the Red Lake mining district of north-western Ontario, Canada, commonly referred to as the "Dome" and the "McManus" properties. Pursuant to the agreements, which are described fully below, the Corporation has acquired Sphere's right to earn a 75% interest in the Dome property and a 100% interest in the McManus property by assuming Sphere's earn-in obligations, subject to Sphere's right to claw back a 51% interest in either property by the payment to the Corporation of four times the amount expended on the property and subject to Net Smelter Royalty obligations ("NSR's") to the underlying property owners. The result of the agreements is that the Corporation has the right to earn into 75% of the Dome property at a cost of approximately \$1,000,000 subject to Sphere's right to claw back 51% at a cost to Sphere of approximately \$4.0 million, leaving the Corporation with 24%, and the right to earn a 100% interest in the McManus property at a cost of approximately \$1,200,000 subject to Sphere's right to claw back 51% at a cost to Sphere of \$4.8 million leaving the Corporation with 49%.

##### **Dome Agreement**

On March 7, 2010, following upon a letter of intent dated November 28, 2009, the Corporation entered into an option and joint venture arrangement (the "Dome Option Agreement") with Sphere with respect to 13 unpatented mining claims covering 34 units in the Dome, Byshe and Heyson Townships in Ontario's Red Lake Gold District, generally referred to as the Dome Property (the "Property"). Subsequently, 4 unpatented mining claims covering 5 mining units were added to the Dome Property at nominal cost.

Under the terms of the Option Agreement, the Corporation would join Sphere in exploring the Property, which had been optioned by Sphere from Global Minerals Limited ("Global"). Subsequently, Sphere acquired the properties from Global. A provision in that acquisition agreement, which required Duncan Park's approval, states that this acquisition will have no effect on the Dome Option Agreement. Sphere has granted Duncan Park the option to acquire a 75% interest in the Property, subject to the following:

1. A 2% net smelter royalty ("NSR") held by the original property owners, one percent of which may be acquired for \$1,750,000 and one percent of which is subject to a right of first refusal in favour of Sphere and Duncan Park;
2. Satisfaction of the terms of the original Global/Sphere agreement, which are essentially the making of the payments and incurring the exploration expenses set out below; and
3. Sphere's right to claw back from Duncan Park a 51% undivided interest in the Property by paying Duncan Park an amount equal to four times Duncan Park's expenditures for the Property, which right

**Duncan Park Holdings Corporation**  
**Notes to the Unaudited Interim Financial Statements**  
**For the Three and Nine Month Periods Ended August 31, 2012 and 2011**

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must be exercised by Sphere within 30 days following the earn-in date, and payment must be made within a further 30 days.

For Duncan Park to acquire a 75% interest in the Property, Duncan Park must make cash payments of \$25,000 per year, issue to Sphere two million Duncan Park shares per year for three years, and make staged exploration expenditures of \$75,000 in year one, \$350,000 in year two and \$500,000 in year three, all of which have been done.

The Option Agreement provides that Sphere will act as operator of the Property during the option period with Duncan Park having the right to approve all work plans and budgets. It also contemplates that shortly after the earn-in date, which has now passed, the continuing parties will enter into a joint venture agreement to carry on the exploration.

McManus Agreement.

On December 23, 2010, the Corporation entered into a Letter of Intent, which has since been superseded on March 29, 2011 by a definitive agreement (the “Definitive Agreement”) with Sphere and Camp McMan Red Lake Gold Mines Inc. (“Camp McMan”) with respect to funding the exploration of 17 patented mining claims and 11 licenses of occupation (the “McManus Claims”) covering approximately 324 hectares, which expand the Red Lake property.

The McManus Claims about the Dome property, add approximately 65% to the size of the Red Lake property and square up and fill in the north-eastern section of the property.

Sphere is entitled to earn a 100% interest in the McManus Claims, subject to the satisfaction of certain conditions as set out below.

Sphere’s original financial obligations (which are to be funded by Duncan Park under the Definitive Agreement) and share issuance obligations pursuant to the agreement with Camp McMan are:

<b>Date</b>	<b>Option Payment</b>	<b>Sphere Share Issues</b>	<b>Exploration Costs</b>
On signing letter agreement	\$ 10,000	Nil	Nil
On signing option agreement	\$ 25,000	300,000	Nil
On or before December 15, 2011	\$ 50,000	400,000	\$ 100,000
On or before December 15, 2012	\$ 50,000	500,000	\$ 200,000
On or before December 15, 2013	\$ 75,000	500,000	\$ 350,000
On or before December 15, 2014	Nil	Nil	\$ 550,000
Total	\$210,000	1,700,000	\$1,200,000

As of August 31, 2012 all of the minimum required obligations have been met, and the full exploration requirements have been made.

In addition, Sphere is obligated to make the tax payments on the Claims.

Upon making the required option and tax payments and share issuances and incurring the exploration costs, Sphere would have earned a 100% interest in the Claims, including the residue of surface rights with respect thereto, subject only to a 3½% Net Smelter Royalty (“NSR”) interest on all metals produced from the McManus Claims to Camp McMan. Sphere also has the right to buy down the NSR interest

# **Duncan Park Holdings Corporation**

## **Notes to the Unaudited Interim Financial Statements**

### **For the Three and Nine Month Periods Ended August 31, 2012 and 2011**

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from 3½% to 2% for \$500,000 per ½%. Upon Sphere earning its interest in the Claims, Sphere is obligated to make annual advance royalty payments of \$10,000 until either it exercises this NSR buy-down option or a decision is made to enter production. As noted above, under the Definitive Agreement Duncan Park will have earned the above-mentioned 100% interest in the Claims and the above-mentioned NSR buy-down right, and will be responsible for the above-mentioned advance royalty payments, all subject to Sphere's 51% Clawback Right upon the payment to Duncan Park of four times the amount spent by Duncan Park.

#### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Corporation makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the interim financial statements within the next financial year are discussed below:

##### **i) Exploration and Evaluation Expenditure**

The application of the Corporation's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Corporation, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If after an expenditure is capitalized, information becomes available suggesting that the recovery of that expenditure is unlikely, the amount capitalized is written off the in the statement of comprehensive loss in the period the new information becomes available.

##### **ii) Title to Mineral Property Interests**

Although the Corporation has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Corporation's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

##### **iii) Income Taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities and contingencies for anticipated tax issues based on the Corporation's current understanding of tax law. For matters where it is probable that an adjustment will be made, the Corporation records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

# **Duncan Park Holdings Corporation**

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In addition, the Corporation recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

#### **iv) Share-based Payment Transactions**

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments transactions requires determining the most appropriate valuations model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

#### **6. PREVIOUS OPERATIONS**

The Corporation, through a wholly-owned subsidiary, Duncan Park Holdings Nevada Ltd., had been exploring for gold on owned and leased properties in the State of Nevada, USA. It had not determined whether the properties contained ore reserves that were economically recoverable. However, on April 6, 2009 the Corporation received a letter from the lessor of certain key properties effectively forcing the termination of renegotiation of the contractual arrangements needed by the Corporation to continue exploration of those properties. The result was that the Corporation had to abandon those properties. It then also abandoned the lease of neighbouring property and subsequently abandoned adjacent mining claims it owned in the area. The carrying value of these properties was written off in the 2009 financial statements and the Nevada subsidiary corporation was wound up.

#### **7. CASH**

Cash in the bank earns interest at floating rates based on daily bank deposit rates.

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**8. EXPLORATION AND EVALUATION ASSETS**

	<b>Dome</b>	<b>McManus</b>	<b>Total</b>
Balance at December 1, 2010	194,773	-	194,773
Issue of shares to Sphere	380,000	-	380,000
Property payments	25,000	10,000	35,000
Exploration costs	422,690	330,043	752,733
Balance August 31, 2011	1,022,463	340,043	1,362,506
Property payments	-	25,000	25,000
Exploration costs	106,191	418,383	524,574
Balance November 30, 2011	1,128,654	783,426	1,912,080
Issue of shares to Sphere	120,000	-	120,000
Property payments	-	50,000	50,000
Exploration costs	212,801	313,725	526,526
Balance August 31, 2012	1,461,455	1,147,151	2,608,606

**9. OTHER LIABILITIES**

The following table describes the liability with respect to the flow through shares issued on the respective dates.

	<b>Feb-28</b>	<b>Dec-29</b>	<b>Feb-21</b>	<b>May-22</b>	<b>Aug-31</b>	<b>-</b>
	<b>2011</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>Total</b>
Balance December 1, 2010	-	-	-	-	-	-
Liability incurred on flow-through shares issued	52,381	-	-	-	-	52,381
Settlement of liability on incurring expenditures	(52,381)	-	-	-	-	(52,381)
Balance November 30, 2011	-	-	-	-	-	-
Liability incurred on flow-through shares issued	-	10,000	11,750	13,350	-	21,750
Settlement of liability on incurring expenditures	-	(10,000)	(11,750)	(13,350)	-	(21,750)
Balance August 31, 2012	-	-	-	-	-	-



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**10. SHARE CAPITAL**

The authorized capital is an unlimited number of common shares.

The following share transactions have occurred in the past two fiscal years and the current year to date.

	Issue Price	Number Of Shares	Amount
Balance December 1, 2010		68,600,890	8,373,421
2011			
First Quarter			
Issue of shares to Sphere pursuant to the Dome agreement (See Note 4)		2,000,000	172,000
Issue of flow through shares for cash pursuant to a private placement (See (iii) below)	\$0.105	10,476,188	1,100,000
Share issue expenses			(132,836)
Flow-through premium			(52,381)
Second Quarter			
Issue of shares to Sphere pursuant to the Dome agreement (See Note 4)		2,000,000	208,000
Re-segregation of warrants			(10,476)
Third Quarter			
Issue of shares for cash pursuant to a private placement (See (iv) below)	\$0.10	6,000,000	600,000
Share issue expenses			(27,563)
Balance November 30, 2011		89,077,078	10,230,165
2012			
First quarter			
Issue of flow through shares pursuant to a private placement (See (v) below)	\$0.10	1,000,000	100,000
Share issue expenses			(11,458)
Flow-through premium			(10,000)
Issue of flow through shares pursuant to a private placement (See (vi) below)	\$0.08	3,000,000	240,000
Share issue expenses			(16,388)
Flow-through premium			(11,750)
Second quarter			
Issue of shares to Sphere pursuant to the Dome agreement (See Note 4)	\$0.06	2,000,000	120,000
Issue of common and flow-through shares for cash pursuant to a private placement (see (vii) below)	\$0.05	3,000,000	150,000
Share issue expenses			(5,289)
Flow-through premium			(13,350)
Third quarter			
Issue of common and flow-through shares for cash pursuant to a private placement (see (viii) below)	\$0.05	1,800,000	90,000
Share issue expenses			(2,641)
Balance August 31, 2012		99,877,078	10,859,289

**Duncan Park Holdings Corporation**  
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(i) In the second quarter of 2010, the Corporation completed a non-brokered private placement of 4,000,000 flow-through common shares at \$0.05 per share for aggregate proceeds of \$200,000.

(ii) In the fourth quarter of 2010 warrant holders exercised warrants on 2,966,666 shares at a price of \$0.10 per share for total proceeds of \$296,667.

(iii) On February 24, 2011, the Corporation completed the issuance of \$1,100,000 of units (“Units”) pursuant to a private placement at a price of \$0.105 per Unit. Each Unit was comprised of one flow-through common share and one-half of one non flow-through common share purchase warrant (a “Warrant”). Each whole Warrant is exercisable for one common share at a price of \$0.15 per share for a period of 12 months.

In connection with the February 2011 private placement, the Corporation paid aggregate cash fees of \$78,700 to three organizations (collectively, the “Finders”), and also issued an aggregate of 919,047 finder’s options (“Finder’s Options”) to the Finders. Each Finder’s Option is exercisable for one non flow-through unit (a “Finder’s Unit”) at a price of \$0.105 per Finder’s Unit for a period of 12 months. Each Finder’s Unit is exercisable on the same terms as the Units, except that the common shares issuable thereunder shall be non flow-through shares.

(iv) On August 3, 2011 the Corporation issued 6,000,000 common shares at a price of \$0.10 per share. Proceeds from the private placement are being used for general working capital purposes. The Corporation paid a finder’s fee of \$5,500.

(v) On December 29, 2011, the Corporation completed a private placement of \$100,000 of flow-through common shares at a price of \$0.10 per share. The securities issued pursuant to the private placement were subject to a hold period which expired April 30, 2012.

(vi) On February 22, 2012 the Corporation completed a private placement of \$240,000 of flow-through and non-flow-through common shares at a price of \$0.08 per share. The Corporation issued an aggregate of 3,000,000 “flow-through” and “non-flow-through” shares pursuant to the non-brokered private placement. The securities issued pursuant to the private placement are subject to a hold period expiring June 22, 2012.

(vii) On May 22, 2012 the Corporation completed a private placement of \$150,000 of flow-through and non-flow-through common shares at a price of \$0.05 per share. The Corporation issued an aggregate of 3,000,000 “flow-through” and “non-flow-through” shares pursuant to the non-brokered private placement. The securities issued pursuant to the private placement are subject to a hold period expiring September 23, 2012.

(viii) On August 31, 2012 the Corporation completed a private placement of \$90,000 of flow-through and non-flow-through common shares at a price of \$0.05 per share. The Corporation issued an aggregate of 1,800,000 “flow-through” and “non-flow-through” shares pursuant to the non-brokered private placement. The securities issued pursuant to the private placement are subject to a hold period expiring December 1, 2013.

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**11. WARRANTS**

In February, 2011, as part of the issue of units described in 10(iii) above, the Corporation issued an aggregate of 5,238,094 warrants exercisable for the purchase of one common share at \$0.15. 4,999,998 of these warrants were exercisable until February 24, 2012, and 238,096 were exercisable until February 28, 2012. All of the warrants expired without exercise.

The following table sets out the warrant activity for the last two fiscal years and the current year to date.

	Number	Amount
Balance December 1, 2010	6,666,666	-
Issued	5,238,094	10,476
Exercised	(1,133,333)	-
Expired	(5,533,333)	-
Balance November 30, 2011	5,238,094	10,476
Issued	-	-
Exercised	-	-
Expired	(5,238,094)	(10,476)
Balance August 31, 2012	-	-

**12. STOCK OPTION PLAN**

The Corporation has a share option plan which was originally approved by shareholders in January, 2003, with certain amendments approved by shareholders in October, 2005, and further amendments in May 2010, at which time it was converted to a “rolling” plan under which the maximum number of options available to be granted is equal to 10% of the shares outstanding at the time of issuance of the grant (The “Share Option Plan”).

Options may be granted only to directors, officers, employees and other service providers, subject to applicable securities laws and the rules of any Canadian stock exchange upon which the Common Shares may be listed or may trade from time to time. Options are personal to each optionee. The aggregate number of Common Shares reserved for issuance to any person, pursuant to the grant of options, may not exceed 5% of the total number of Common Shares then outstanding. In addition, the total number of Common Shares reserved for issuance to any one consultant or to an employee conducting investor relations activities, within a one-year period, shall not exceed 2% of the total number of Common Shares then outstanding. The Plan also provides that the aggregate number of Common Shares that may be reserved for issuance pursuant to options granted to insiders of the Corporation within a 12 month period shall not exceed 10% of the total number of Common Shares outstanding, unless the Corporation has obtained disinterested shareholder approval.

The exercise price of an option shall not be less than the closing price of the Common Shares on the stock exchange upon which its shares are listed on the last trading day on which the Common Shares traded immediately prior to the date of the grant, subject to an allowable discount of 25% and a \$0.10 minimum.

Options granted under the Share Option Plan that have been cancelled or that have expired without being exercised shall again become available for grant. The Board has the discretion to determine the vesting schedule, if any, that would apply to option grants (subject to certain mandated vesting requirements for consultants conducting investor relations activities) and discretion to determine when options will cease to be exercisable in the event of retirement or termination, subject to a 12-month outside date. Notwithstanding this discretion, options are not exercisable past their expiry date.

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As a rolling plan, the plan must be approved by shareholders of the Corporation yearly at the Corporation's annual and special meeting of shareholders. The Share Option Plan continues to be administered by the Board, and provides that disinterested shareholder approval shall be obtained for any reduction in the exercise price of options held by insiders of the Corporation.

Director/Officer/Contractor Options

The following table sets out the director/officer/contractor stock option activity for the latest two fiscal years, and the current year to date.

	2012		2011		2010	
	Number	Average Price	Number	Average Price	Number	Average Price
At beginning of period	4,800,000	\$0.13	800,000	\$0.30	1,300,000	\$0.39
Granted	-	-	4,000,000	\$0.10	-	-
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	(400,000)	\$0.70
Forfeited	-	-	-	-	(100,000)	\$0.60
At end of period	4,800,000	\$0.13	4,800,000	\$0.13	800,000	\$0.30

Vested options exercisable at August 31, 2012 - 2,133,333 (2011 – 800,000)

Weighted average exercise price of vested options exercisable - \$0.18 (2011 - \$0.18)

The fair value of stock options granted is expensed over the vesting period as compensation expense with an offsetting credit to contributed surplus. When stock options are exercised the proceeds are recorded in share capital and the fair value assigned to the options is transferred from contributed surplus. The value of stock options that expire remains in contributed surplus.

4,000,000 options to acquire common shares at a price of \$0.10 expiring March 31, 2016 were issued during the second quarter of 2011, including the grant of an aggregate of 3,500,000 options to the officers and/or directors of the Corporation. The balance of the options was granted to certain consultants of the Corporation. The options are exercisable for a period of five years at a price of \$0.10 per share and will vest over an 18-month period, with one-third of the options vesting every six months. The option grants are the first options issued by the Corporation since January 2008 and were issued under the Corporation's amended option plan approved by shareholders in May 2010, and reaffirmed in 2011. The decision to issue the options followed the restructuring and recapitalization of the Corporation with its Red Lake Ontario properties.

The fair value of these options on the date of issue was estimated to be \$240,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 97.5%; expected forfeiture rate of 0%; risk free interest rate of 1.25%; expected life of 5 years. This amount will be charged to expense and credited to contributed surplus over the seven fiscal quarters

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commencing in the second quarter of 2011, which corresponds approximately to the vesting period of the options.

At August 31, 2012 the following Director/Officer/Contractor options were outstanding

Holder	On # Of Shares	Exercise Price	Expiry Date
Eric Salsberg	100,000	\$0.30	January 2, 2013
	500,000	\$0.10	March 31, 2016
Harold Doran	150,000	\$0.30	January 2, 2013
	1,000,000	\$0.10	March 31, 2016
Ian McAvity	300,000	\$0.30	January 2, 2013
	1,000,000	\$0.10	March 31, 2016
Larry Kornze	250,000	\$0.30	January 2, 2013
	500,000	\$0.10	March 31, 2016
David Shaddrick	500,000	\$0.10	March 31, 2016
James Doran	300,000	\$0.10	March 31, 2016
Shaun Ruddy	100,000	\$0.10	March 31, 2016
Alan McLellan	100,000	\$0.10	March 31, 2016
	<u>4,800,000</u>		

The weighted average exercise price of the options is \$0.13 (2010 - \$0.30)

The weighted average contractual life of the options is 3.81 years (2010 – 2.17 years)

#### Finder's Options

As described in note 5(iii) above, in the first quarter of 2011 the Corporation issued an aggregate of 919,047 finder's options ("Finder's Options") to the Finders. Each Finder's Option is exercisable for one non flow-through unit (a "Finder's Unit") at a price of \$0.105 per Finder's Unit for a period of 12 months. Each Finder's Unit is exercisable on the same terms as the Units, except that the common shares issuable thereunder shall be non flow-through shares. During this quarter all of the Finder's Options expired without exercise.

The fair value of these options on the date of issue was estimated to be \$33,500 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 97.5%; risk free interest rate of 1.25%; expected life of 1 year. This amount was charged to share capital and credited to contributed surplus in the first quarter of 2011.

### 13. INCOME TAXES

In fiscal 2011 the Corporation renounced \$200,000 of exploration expenses to the investors in the 2010 issue of flow-through shares, and \$1,100,000 to the investors in the 2011 issue of flow-through shares. In fiscal 2012, the Corporation renounced a further \$421,550. Accordingly, these amounts will never be deductible by the Corporation for income tax purposes. The result is the future income taxes payable by the Corporation will be higher than they would otherwise be. Based upon a substantially enacted future

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corporation income tax rate of 25%, a liability of \$430,385 has been reflected in these accounts, but offset by recognition of deferred tax assets from loss carry forwards. The existence of this future tax liability enables the reflection in the accounts of the potential future tax reduction due to losses.

The reported recovery of income taxes differs from amounts computed by applying the combined Canadian federal and provincial income tax rates to the reported loss before income taxes due to the following:

	2012	2011
Reported loss before income taxes	\$(238,009)	\$(348,106)
Combined statutory income tax rate	28.42%	28.42%
Expected income tax recovery at current rate	(67,642)	(98,903)
Permanent differences	10,918	(471)
Flow-through share premium	(8,775)	-
Tax rate differences	6,962	7,649
Change in unrecognized deductible temporary items	<u>58,537</u>	<u>91,725</u>
Deferred tax	\$ -	\$ -

Deferred Tax Balances

The balance in the statement of financial position comprises:

	2012	2011
Losses carried forward	\$537,362	\$543,084
Share issue costs	7,075	26,668
Mineral property	<u>(347,696)</u>	<u>(347,696)</u>
	196,741	222,056
Deferred tax assets not recognized	<u>(196,741)</u>	<u>(222,056)</u>
Balance in statement of financial position	\$ -	\$ -

The Corporation has losses of approximately \$2,560,000 expiring as shown in the following table.

Loss	Expiring	Loss	Expiring	Loss	Expiring
236,217	2014	188,981	2028	336,182	2032
304,850	2015	125,437	2029	67,025	2033
39,310	2026	282,441	2030		
397,080	2027	481,924	2031		

In addition, it has a capital loss of \$5,349,190 arising primarily from the write off of advances to its former US subsidiary Corporation, one half of which is deductible indefinitely against capital gains.

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**14. COMPENSATION**

The Corporation's compensation costs for the period comprise:

	2012		2011	
	3 Months	9 Months	3 Months	9 Months
<b>Cash Based</b>				
Executives	19,528	60,933	24,571	72,278
<b>Stock Based</b>				
Executives	6,334	32,335	53,223	62,223
Non-executive directors	4,750	24,250	39,917	46,667
Other contractors	3,650	12,950	13,306	15,556
Total stock based	14,734	69,535	106,446	124,446
Total compensation	34,262	130,468	131,017	196,724

**15. FINANCIAL INSTRUMENTS**

The Corporation's financial instruments include from time to time cash, Government of Canada treasury bills, miscellaneous receivables and deposits and trade accounts payable and accrued liabilities. The Corporation designated its cash and Government of Canada treasury bills as loans and receivables which are measured at amortized cost. Fair value is measured at level 1 based upon the quotes price for identical assets. Transaction costs are expensed as incurred for financial instruments classified as held for trading. Miscellaneous receivables and deposits are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

**16. LOAN FROM DIRECTOR**

During the second quarter of 2011 the Corporation received a \$40,000 interest free advance from a director which was due on demand and was repaid in the third quarter.

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**17. WEIGHTED AVERAGE NUMBER OF COMMON SHARES**

The following table shows the effect of the various share issuances on the weighted average number of common shares used in the loss per share computation.

	2012		2011	
	3 Months	9 Months	3 Months	9 Months
Issued common shares at December 1	89,077,078	89,077,078	68,600,890	68,600,890
Effect of shares issued on December 15, 2010			2,000,000	1,825,137
Effect of shares issued on February 24, 2011			9,999,998	6,775,955
Effect of shares issued on February 28, 2011			471,014	236,794
Effect of shares issued on December 29, 2011	1,000,000	841,530	1,956,522	983,607
Effect of shares issued on February 21, 2012	3,000,000	1,639,344		
Effect of shares issued on April 1, 2012	1,304,348	655,738		
Effect of shares issued on May 22, 2012	293,478	147,541		
Effect of shares issued on August 31, 2012	19,565	6,545		
	94,694,469	92,367,776	83,028,424	78,422,383

**18. FINANCIAL RISK**

i) Foreign-exchange risk

The Corporation's exposure to foreign exchange fluctuations is low, limited to its U.S. cash which at August 31, 2012 amounted to US\$369 (2011 - \$25,217) and US accounts payable which were \$3,481 (2011 - \$228).

ii) Interest-rate risk

The Corporation currently has no fixed-term cash or cash equivalent assets or interest bearing debt outstanding.

iii) Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities as they come due. This includes ensuring that the use of funds raised through the issue of flow-through shares is limited to those types of expenditures which qualify for such treatment and that it has sufficient non flow-through funds to meet its administrative costs and those exploration costs which do not qualify for flow-through funding. At August 31, 2012 all accounts payable are current.

iv) Capital disclosures

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern and to provide the funding needed to continue exploration of its properties. Since it has no commercial operations this requires repetitive approaches to the financial markets to raise capital, to date by way of private placement. Typically, it raises exploration dollars in accordance with work plans and budgets in advance of upcoming exploration programs by way of flow-through shares. It also raises unrestricted dollars by private placement to fund costs such as property option payments and share issue expenses which are not eligible to be paid by flow-through dollars, and administrative expenses.



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The Corporation considers capital to comprise share capital, contributed surplus, warrants, and accumulated deficit. At August 31, 2012 the balance in these accounts was: share capital \$10,859,289; contributed surplus \$403,103; warrants \$0; accumulated deficit \$8,651,215.

Capital expenditures for exploration are carefully planned and monitored.

The Corporation is not subject to any externally imposed capital requirements and there has been no change in the capital risk management strategy in the current fiscal period.

#### **19. COMMITMENTS**

If the Corporation elects to continue from year to year with the McManus option agreement, which it intends to do, it must pay Camp McMan \$50,000 on or before December 15, 2012, and \$75,000 on December 15, 2013.

In December 2011, February 2012 and May 2012 the Corporation entered into flow-through share subscription agreements whereby it is committed to incur qualifying Canadian Exploration Expenses as described in the Income Tax Act, in the amounts of \$100,000 on or before December 31, 2012, and \$321,550 on or before December 31, 2013. These commitments have been met.

The Corporation had indemnified the subscribers for any tax related amounts that may become payable by the subscribers as a result of the Corporation not meeting its expenditure commitments.

#### **20. FIRST TIME ADOPTION OF INTERNATIONAL REPORTING STANDARDS**

The Corporation's financial statements for the year end November 30, 2012 will be the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Corporation has applied IFRS was December 1, 2010, the Transition Date. IFRS 1 requires that first-time adopters retrospectively apply IFRS standards as of the reporting date, which for the Corporation will be November 30, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption. Prior to transition to IFRS, the Corporation prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

In preparing the Corporation's opening IFRS financial statements, the Corporation has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

The Corporation elected to take the following IFRS 1 optional exemption:

- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

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**Estimates**

The estimates previously made by the Corporation under pre-changeover Canadian GAAP were not revised for the application of IRFS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Corporation has not used hindsight to revise estimates.

**Reconciliations of Pre-changeover Canadian GAAP Equity and Comprehensive Loss to IFRS**

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive loss as shown below have resulted in reclassifications or various amounts on the statements of cash flows. However, as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

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<b>Reconciliation of Statement of Financial Position</b>			
<b>As at December 1, 2010 - Transition Date</b>			
	<b>Canadian</b>	<b>Effect of</b>	
	<b>GAAP</b>	<b>transition to</b>	<b>IFRS</b>
		<b>IFRS</b>	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$318,643	-	\$318,643
Deposits	-	-	-
Federal sales tax recoverable	26,525		26,525
	345,168	-	345,168
<b>NON-CURRENT ASSETS</b>			
Mineral exploration properties			
Dome project	194,773	-	194,773
McManus project	-	-	-
	194,773	-	194,773
<b>TOTAL ASSETS</b>	<b>\$539,941</b>	<b>-</b>	<b>\$539,941</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$38,182	-	\$38,182
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8,413,421	(40,000)	8,373,421
Contributed surplus	112,000	-	112,000
Accumulated deficit	(8,023,662)	40,000	(7,983,662)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>501,759</b>	<b>-</b>	<b>501,759</b>
<b>TOTAL LIABILITIES AND</b>			
<b>SHAREHOLDERS' EQUITY</b>	<b>\$539,941</b>	<b>-</b>	<b>\$539,941</b>

**Duncan Park Holdings Corporation**  
**Notes to the Unaudited Interim Financial Statements**  
For the Three and Nine Month Periods Ended August 31, 2012 and 2011

<b>Reconciliation of Statement of Financial Position</b>			
<b>As At November 30, 2011</b>			
	<b>Canadian</b>	<b>Effect of</b>	
	<b>GAAP</b>	<b>transition to</b>	<b>IFRS</b>
		<b>IFRS</b>	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$351,260	-	\$351,260
Deposits	-	-	-
Federal sales tax recoverable	\$28,836		\$28,836
	\$380,096	-	\$380,096
<b>NON-CURRENT ASSETS</b>			
Mineral exploration properties			
Dome project	\$1,128,654	-	\$1,128,654
McManus project	\$783,426	-	\$783,426
	\$1,912,080	-	\$1,912,080
<b>TOTAL ASSETS</b>	<b>\$2,292,176</b>	<b>-</b>	<b>\$2,292,176</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$148,079	-	\$148,079
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	\$10,010,641	\$219,524	\$10,230,165
Contributed surplus	\$316,662	-	\$316,662
Warrants	-	\$10,476	\$10,476
Accumulated deficit	(\$8,183,206)	(\$230,000)	(\$8,413,206)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$2,144,097</b>	<b>-</b>	<b>\$2,144,097</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$2,292,176</b>	<b>-</b>	<b>\$2,292,176</b>

**Duncan Park Holdings Corporation**  
**Notes to the Unaudited Interim Financial Statements**  
For the Three and Nine Month Periods Ended August 31, 2012 and 2011

<b>Reconciliation of Statement of Financial Position</b>			
<b>As At August 31, 2011</b>			
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$1,233,975	-	\$1,233,975
Federal sales tax recoverable	58,698		58,698
	1,292,673	-	1,292,673
<b>NON-CURRENT ASSETS</b>			
Mineral exploration properties			
Dome project	1,022,463	-	1,022,463
McManus project	340,043	-	340,043
	1,362,506	-	1,362,506
<b>TOTAL ASSETS</b>	<b>\$2,655,179</b>	<b>-</b>	<b>\$2,655,179</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$423,929	-	\$423,929
Advance to director	-	-	-
	423,929	-	423,929
<b>LONG TERM LIABILITIES</b>			
Future income tax liability	400,000	(347,619)	52,381
<b>TOTAL LIABILITIES</b>	<b>823,929</b>	<b>(347,619)</b>	<b>476,310</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9,922,546	307,619	10,230,165
Contributed surplus	157,996	112,000	269,996
Warrants	10,476		10,476
Accumulated deficit	(8,259,768)	(72,000)	(8,331,768)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,831,250</b>	<b>347,619</b>	<b>2,178,869</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$2,655,179</b>	<b>-</b>	<b>\$2,655,179</b>

**Duncan Park Holdings Corporation**  
**Notes to the Unaudited Interim Financial Statements**  
For the Three and Nine Month Periods Ended August 31, 2012 and 2011

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<b>Reconciliation of Statement of Comprehensive Income For the Three Month Period Ended August 31, 2011</b>			
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>EXPENSES</b>			
Compensation	\$131,017	-	\$131,017
Professional fees			
Legal	12,118	-	12,118
Audit	6,000	-	6,000
Regulatory compliance	10,746	-	10,746
Investor communications	2,300	-	2,300
Interest and bank charges	485	-	485
Office and general	3,721	-	3,721
<b>TOTAL EXPENSES</b>	<b>166,387</b>	<b>-</b>	<b>166,387</b>
<b>OTHER INCOME</b>			
Interest and foreign exchange	(1,526)	-	(1,526)
<b>LOSS BEFORE INCOME TAXES</b>	<b>(164,861)</b>	<b>-</b>	<b>(164,861)</b>
<b>RECOVERY OF FUTURE INCOME TAXES</b>	<b>-</b>		<b>-</b>
<b>NET LOSS FOR THE PERIOD</b>	<b>(164,861)</b>	<b>-</b>	<b>(164,861)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>		<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(\$164,861)</b>	<b>-</b>	<b>(\$164,861)</b>

**Duncan Park Holdings Corporation**  
**Notes to the Unaudited Interim Financial Statements**  
For the Three and Nine Month Periods Ended August 31, 2012 and 2011

<b>Reconciliation of Statement of Comprehensive Income For the Nine Month Period Ended August 31, 2011</b>			
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>EXPENSES</b>			
Compensation	\$196,724	-	\$196,724
Professional fees			
Legal	74,998	-	74,998
Audit	16,500	-	16,500
Regulatory compliance	41,656	-	41,656
Investor communications	7,275	-	7,275
Interest and bank charges	204.00	-	204
Office and general	11,786	-	11,786
<b>TOTAL EXPENSES</b>	<b>349,143</b>	<b>-</b>	<b>349,143</b>
<b>OTHER INCOME</b>			
Interest and foreign exchange	(1,037)	-	(1,037)
<b>LOSS BEFORE INCOME TAXES</b>	<b>(348,106)</b>	<b>-</b>	<b>(348,106)</b>
<b>RECOVERY OF FUTURE INCOME TAXES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET LOSS FOR THE PERIOD</b>	<b>(348,106)</b>	<b>-</b>	<b>(348,106)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(\$348,106)</b>	<b>-</b>	<b>(\$348,106)</b>

**Duncan Park Holdings Corporation**  
**Notes to the Unaudited Interim Financial Statements**  
For the Three and Nine Month Periods Ended August 31, 2012 and 2011

<b>Reconciliation of Statement of Comprehensive Income</b>			
<b>For the Year Ended November 30, 2011</b>			
	<b>Canadian</b>	<b>Effect of transition to</b>	
	<b>GAAP</b>	<b>IFRS</b>	<b>IFRS</b>
<b>EXPENSES</b>			
Compensation	\$265,110	-	\$265,110
Professional fees			
Legal	100,416	-	100,416
Audit	22,500	-	22,500
Geologist	2,969	-	2,969
Capital market advisory services	5,053	-	5,053
Regulatory compliance	49,013	-	49,013
Investor communications	24,367	-	24,367
Interest and bank charges	1,098	-	1,098
Office and general	16,572	-	16,572
<b>TOTAL EXPENSES</b>	<b>487,098</b>	<b>-</b>	<b>487,098</b>
<b>OTHER INCOME</b>			
Interest and foreign exchange	(5,173)	-	(5,173)
<b>LOSS BEFORE INCOME TAXES</b>	<b>(481,925)</b>	<b>-</b>	<b>(481,925)</b>
AMORTIZATION OF FLOW-THROUGH PREMIUM		52,381	52,381
RECOVERY OF FUTURE INCOME TAXES	322,381	(322,381)	-
<b>NET LOSS FOR THE PERIOD</b>	<b>(159,544)</b>	<b>(270,000)</b>	<b>(429,544)</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(159,544)</b>	<b>(270,000)</b>	<b>(429,544)</b>



# **Duncan Park Holdings Corporation**

## **Notes to the Unaudited Interim Financial Statements**

### **For the Three and Nine Month Periods Ended August 31, 2012 and 2011**

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## **Notes to Reconciliations**

### **Acquisition, exploration and evaluation expenditures**

Under Canadian GAAP –The Corporation used the policy to defer the cost of mineral properties and their related exploration and development expenditures until the properties are placed into production, sold or abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the Corporation, were recorded in the accounts at such time as the payments are made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

Under IFRS – All direct costs related to the acquisition of mineral property interests are capitalized into intangible assets on a property by property basis. 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 capitalized into PPE. 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.

### **B) Share-based Payment**

*Under Canadian GAAP* – The fair value of stock-based awards with graded vesting were calculated as one grant and the resulting fair value was recognized on a straight-line basis over the vesting period. Forfeitures of awards were recognized as they occurred.

*Under IFRS* – Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of each of the respective tranches. Forfeiture estimates are recognized on the grant date and revised for actual experiences in subsequent periods.

#### **a) Equity Reserves**

Under Canadian GAAP –The Corporation recorded the value of share based payments and warrants issued to contributed surplus.

Under IFRS – IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share based payments" and any other component of equity.

#### **b) Flow-through Shares**

Under Canadian GAAP –

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through shares arrangements are renounced to investors in accordance with tax legislation. The deferred income taxes relating to the temporary difference that arise when the qualifying expenditures are incurred were recorded at the time of filing the renunciation with the tax authorities. The

**Duncan Park Holdings Corporation**  
**Notes to the Unaudited Interim Financial Statements**  
**For the Three and Nine Month Periods Ended August 31, 2012 and 2011**

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recognition of the deferred income tax liability results in a corresponding reduction to the carrying value of the shares issued.

Under IFRS –

The obligation to renounce tax deductions at the time of issuance of flow-through shares is recorded as a liability in accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” measured using a residual or a relative fair value method. This obligation is released into the statement of comprehensive income as a gain as and when the Corporation incurs qualifying expenditures (i.e. fulfilling its obligation to renounce tax attributes).

A deferred tax liability is recognized (with the debit to statement of comprehensive income), in accordance with IAS 12, Income Taxes, in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base. A corresponding previously unrecognized deferred tax asset amount is recognized as these assets now meet the criteria for recognition.