



**DUNCAN PARK**

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# **Duncan Park Holdings Corporation**

Financial Statements

As At and For the Years Ended

November 30, 2013 and 2012

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

The accompanying 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 year-end 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.

# Duncan Park Holdings Corporation

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## Independent Auditor's Report

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### To the Shareholders of Duncan Park Holdings Corporation

We have audited the accompanying financial statements of Duncan Park Holdings Corporation, which comprise the statements of financial position as at November 30, 2013 and November 30, 2012, and the statements of operations and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years ended November 30, 2013 and November 30, 2012, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Duncan Park Holdings Corporation as at November 30, 2013 and November 30, 2012 and its financial performance and its cash flows for the years ended November 30, 2013 and November 30, 2012 in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has no commercial operations, no revenue and has \$36,079 (2012 -\$16,560) in working capital which is not sufficient for ongoing administration costs. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants  
Toronto, Ontario  
February 25, 2014

**Duncan Park Holdings Corporation**  
**Statements of Financial Position**  
Expressed in Canadian Dollars  
As at November 30, 2013 and 2012

|   | November 30<br>2013 | November 30<br>2012 |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                     |                     |                     |
| <b>CURRENT ASSETS</b>                             |                     |                     |
| Cash (Note 5)                                     | \$84,772            | \$76,000            |
| Federal sales tax recoverable                     | 2,621               | 4,750               |
|   | <u>87,393</u>       | <u>80,750</u>       |
| <b>EXPLORATION AND EVALUATION ASSETS</b>          |                     |                     |
| Dome project (Notes 4 and 6)                      | 1,466,109           | 1,461,745           |
| McManus project (Notes 4 and 6)                   | 1,131,710           | 1,170,997           |
|   | <u>2,597,819</u>    | <u>2,632,742</u>    |
| LAND (Note 7)                                     | 175,000             | -                   |
| <b>TOTAL ASSETS</b>                               | <u>\$2,860,212</u>  | <u>\$2,713,492</u>  |
| <b>LIABILITIES</b>                                |                     |                     |
| <b>CURRENT LIABILITIES</b>                        |                     |                     |
| Accounts payable and accrued expenses             | \$51,314            | \$64,190            |
| FLOW THROUGH SHARE LIABILITY                      | 1,190               | -                   |
| TERM LOAN (Note 8)                                | -                   | 75,000              |
| <b>TOTAL LIABILITIES</b>                          | <u>52,504</u>       | <u>139,190</u>      |
| <b>SHAREHOLDERS' EQUITY</b>                       |                     |                     |
| Share capital (Note 9)                            | 11,278,832          | 10,856,803          |
| Contributed surplus                               | 400,293             | 400,293             |
| Accumulated deficit                               | (8,871,417)         | (8,682,794)         |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 | <u>2,807,708</u>    | <u>2,574,302</u>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <u>\$2,860,212</u>  | <u>\$2,713,492</u>  |

**Commitments Note 18**

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**  
**Statements of Operations and Comprehensive Loss**  
**Expressed in Canadian Dollars**  
**For the year ended November 30, 2013 and 2012**

|   | <b>2013</b>        | <b>2012</b>       |
|---|--------------------|-------------------|
| <b>EXPENSES</b>                                       |                    |                   |
| Compensation (Note 14)                                | \$29,085           | \$136,831         |
| Professional fees                                     |                    |                   |
| Legal   | 58,316             | 47,474            |
| Audit   | 27,986             | 15,000            |
| Geologist   | 2,110              | -                 |
| Regulatory compliance                                 | 39,469             | 44,853            |
| Investor communications                               | 21,000             | 32,189            |
| Bank charges  | 1,260              | 1,692             |
| Interest on term loans                                | 5,665              | -                 |
| Office and general                                    | 19,569             | 28,205            |
| Recovery of US environmental reclamation deposit      | (12,555)           | -                 |
| <b>TOTAL EXPENSES</b>                                 | <b>191,905</b>     | <b>306,244</b>    |
| <b>FINANCE INCOME</b>                                 |                    |                   |
| Interest and foreign exchange                         | (1,972)            | -                 |
| Amortization of flow-through premium                  | (1,310)            | (40,100)          |
|   | <b>(3,282)</b>     | <b>(40,100)</b>   |
| <b>TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b> | <b>\$188,623</b>   | <b>\$266,144</b>  |
| <b>LOSS PER SHARE (Note 17)</b>                       |                    |                   |
| Basic   | \$0.002            | \$0.003           |
| Diluted   | \$0.002            | \$0.003           |
| <b>Weighted Average Number of Shares Outstanding</b>  | <b>105,826,390</b> | <b>95,836,094</b> |

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

**Duncan Park Holdings Corporation**  
**Statements of Changes in Shareholders' Equity**  
Expressed in Canadian Dollars  
**For the year ended November 30, 2013 and 2012**

|   | Share<br>Capital | Contributed<br>Surplus | Deficit     | Total     |
|---|------------------|------------------------|-------------|-----------|
| Balance November 30, 2011                                   | 10,240,641       | 320,106                | (8,416,650) | 2,144,097 |
| Issue of shares pursuant<br>to private placements           | 580,000          |                        |             | 580,000   |
| Flow-through premiums                                       | (40,100)         |                        |             | (40,100)  |
| Share issue expenses  | (43,738)         |                        |             | (43,738)  |
| Issue of shares to Sphere pursuant to the<br>Dome agreement | 120,000          |                        |             | 120,000   |
| Share based payments  |                  | 80,187                 |             | 80,187    |
| Loss for the period   |                  |                        | (266,144)   | (266,144) |
| Balance November 30, 2012                                   | 10,856,803       | 400,293                | (8,682,794) | 2,574,302 |
| Issue of shares pursuant<br>to private placements           | 225,000          |                        |             | 225,000   |
| Flow-through premiums                                       | (2,500)          |                        |             | (2,500)   |
| Share issue expenses  | (21,136)         |                        |             | (21,136)  |
| Conversion of debt to shares                                | 220,665          |                        |             | 220,665   |
| Loss for the period   |                  |                        | (188,623)   | (188,623) |
| Balance November 30, 2013                                   | 11,278,832       | 400,293                | (8,871,417) | 2,807,708 |

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

**Duncan Park Holdings Corporation**  
**Statements of Cash Flows**  
Expressed in Canadian Dollars  
**For the year ended November 30, 2013 and 2012**

|   | <b>2013</b>      | <b>2012</b>      |
|---|------------------|------------------|
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b> |                  |                  |
| <b>OPERATING ACTIVITIES</b>   |                  |                  |
| Net loss for the year   | (\$188,623)      | (\$266,144)      |
| Flow-through share premium  | (1,310)          | (40,100)         |
| Share based payments  | -                | 80,187           |
| Interest paid on term loans   | 5,665            | -                |
| (Increase) decrease in federal sales tax recoverable                    | 2,129            | 24,087           |
| Increase(decrease) in current liabilities                               | (12,876)         | (83,889)         |
|   | <b>(195,015)</b> | <b>(285,859)</b> |
| <b>FINANCING ACTIVITIES</b>   |                  |                  |
| Issue of flow-through shares for cash                                   | 25,000           | 466,550          |
| Term loans  | 140,000          | 75,000           |
| Issue of shares for cash  | 200,000          | 113,450          |
| Share issue expenses  | (21,136)         | (43,738)         |
|   | <b>343,864</b>   | <b>611,262</b>   |
| <b>INVESTING ACTIVITIES</b>   |                  |                  |
| Investment in properties  | (140,077)        | (600,663)        |
|   |                  |                  |
| <b>INCREASE (DECREASE) IN CASH</b>                                      | <b>8,772</b>     | <b>(275,260)</b> |
| <b>CASH</b>   |                  |                  |
| <b>AT BEGINNING OF YEAR</b>   | <b>76,000</b>    | <b>351,260</b>   |
| <b>AT END OF YEAR</b>   | <b>\$84,772</b>  | <b>\$76,000</b>  |
| <b>Non Cash Transactions</b>  |                  |                  |
| Shares issued for debt  | \$220,665        | -                |
| Issue of shares to Sphere Resources Inc. pursuant to the Dome agreement | -                | \$120,000        |

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



# **Duncan Park Holdings Corporation**

## **Notes to the Financial Statements**

### **For the Years Ended November 30, 2013 and 2012**

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#### **1. NATURE OF BUSINESS AND GOING CONCERN**

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

The Corporation is incorporated in the Province of Ontario, Canada and is 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, until December 31, 2013, in the United States on the OTCQX under the symbol DCNPF. The Corporation's registered address is Suite 406, 372 Bay Street, Toronto, ON, M5H 2W9.

##### **Going Concern**

These financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

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. At the year-end the Corporation had \$36,079 (2012 - \$16,560) in working capital which is sufficient to meet its administrative costs into the first quarter of fiscal 2014, but it must then raise the approximately \$12,500 per month needed for 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 an exploration project, but this is not assured. These material uncertainties cast significant doubt regarding the Corporation's ability to continue as a going concern.

These financial statements do not reflect adjustments to the carrying amounts of assets and liabilities, the reported revenues and expenses and the statements of financial position classifications used that would be necessary if the going concern assumptions were not appropriate.

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

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

The financial statements of the Corporation for the year ending November 30, 2013 and the comparative figures for the year ended November 30, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue by the Board of Directors on February 25, 2014.

# **Duncan Park Holdings Corporation**

## **Notes to the Financial Statements**

### **For the Years Ended November 30, 2013 and 2012**

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#### **Basis of preparation**

These financial statements are prepared on the historical cost basis with a functional and presentation currency of Canadian dollars.

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 4.

#### **New and revised standards and interpretations not yet effective**

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 was issued in November 2009 and addresses the classification and measurement of financial assets. This new standard reduces the number of categories and measurement options for financial assets. This new standard also amends the measurement of equity instruments whereas these instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Because the impairment phase of the IFRS 9 project has not yet been completed a new effective date will be decided upon when the entire IFRS 9 project is closer to completion.

IAS 32 Financial Instruments: Presentation was amended in December 2011 to clarify that the right of offset for financial assets and liabilities must be available on the current date and not dependent on the occurrence of a future event. This amendment is effective for annual periods beginning on or after January 1, 2014 and requires retrospective application.

The impact of adoption of these standards has not yet been determined.

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

The accounting policies set out below have been adopted for the year ended November 30, 2013 and have been applied consistently to all periods presented in these financial statements.

#### **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.

# **Duncan Park Holdings Corporation**

## **Notes to the Financial Statements**

### **For the Years Ended November 30, 2013 and 2012**

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

Once the legal right to explore a property has been acquired, costs directly related to 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.

#### **Joint Venture Agreement**

The Corporation has entered into an agreement with Sphere Resources Inc. for the exploration and development of the Dome property. The Corporation has a 75% participating interest in the costs and revenues of the project.

#### **Land**

Land is carried at cost.

#### **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

# **Duncan Park Holdings Corporation**

## **Notes to the Financial Statements**

### **For the Years Ended November 30, 2013 and 2012**

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receivables which are measured at amortized cost. Accounts payable and accrued liabilities and promissory notes payable 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 purchase 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 from the proceeds.

#### **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 year. 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.

# **Duncan Park Holdings Corporation**

## **Notes to the Financial Statements**

### **For the Years Ended November 30, 2013 and 2012**

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

The Corporation from time to time issues 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 liability.

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 finance 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 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. Costs 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.

# **Duncan Park Holdings Corporation**

## **Notes to the Financial Statements**

### **For the Years Ended November 30, 2013 and 2012**

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#### **Segments**

The Corporation operates in one operating segment only.

#### **4. 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 judgments.

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.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Judgments**

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 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. 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

# **Duncan Park Holdings Corporation**

## **Notes to the Financial Statements**

### **For the Years Ended November 30, 2013 and 2012**

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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.

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) Impairment of Exploration and Evaluation Expenditures**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of assumptions.

Determining whether to test E&E assets for impairment requires management's judgment on the following situations among others: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable discovery quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area and sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

#### **v) Going concern**

The assessment of the Corporation's ability to execute its strategy by funding future working capital requirements involves judgment.

#### **Estimates**

Information about estimates which may affect the reported financial statements is as follows:

##### **i) 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 11.

##### **ii) Fair Value Disclosures**

The Corporation uses estimates based on similar properties in the determination of the fair values of land as disclosed in Note 7.

**Duncan Park Holdings Corporation**  
**Notes to the Financial Statements**  
**For the Years Ended November 30, 2013 and 2012**

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**5. CASH**

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

**6. EXPLORATION AND EVALUATION PROPERTIES**

The Corporation acquired two properties in the Red Lake mining district of north-western Ontario, Canada, commonly referred to as the “Dome Property”, in which it has a 75% interest, with respect to 13 unpatented mining claims covering 34 units in the Dome, Byshe and Heyson Townships, and the “McManus Claims”, in which it has a 100% interest, with respect to 17 patented mining claims and 11 licenses of occupation covering approximately 324 hectares, which abut the Dome property. The Dome property interests are subject to 2% Net Smelter Royalty obligations (“NSR”) to the previous property owners, ½ of which may be purchased for \$1,750,000, and the McManus property interests are subject to 3% NSR to Camp McMan Red Lake Gold Mines Ltd., 1½% of which may be purchased for \$500,000 per ½% interest Minimum advance minimum royalty payments of \$10,000 per annum commence in December, 2014.

|                           | <b>Dome</b> | <b>McManus</b> | <b>Total</b> |
|---------------------------|-------------|----------------|--------------|
| 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         | 213,091     | 337,571        | 550,662      |
| Balance November 30, 2012 | 1,461,745   | 1,170,997      | 2,632,742    |
| Property payments         | -           | 129,220        | 129,220      |
| Exploration costs         | 4,364       | 6,493          | 10,857       |
| Balance November 30, 2013 | 1,466,109   | 1,306,710      | 2,722,819    |
| Allocated to land         | -           | (175,000)      | (175,000)    |
| Balance November 30, 2013 | 1,466,109   | 1,131,710      | 2,597,819    |

**7. LAND**

Land includes six vacant lots subject to a registered plan of subdivision in the Town of Red Lake. These residual surface rights were acquired as a part of the earn-in agreement pursuant to which the Corporation acquired the McManus Patents. The estimated fair market value, based upon the most recent sales of similar properties, is in the range of \$150,000 to \$200,000.

**8. TERM LOANS**

On November 30, 2012, the board of directors authorized the Corporation to borrow up to \$150,000, subsequently expanded to \$300,000, from available sources, pursuant to which it entered into unsecured term loan agreements with Mr. Eric Salsberg the Chairman of the Board and Mr. Ian McAvity the Chief Executive Officer to borrow \$215,000. The loans bore interest at the rate of 5% per annum calculated annually, and were due and payable on or before December 15, 2014. On August 30, 2013, the loans were converted to shares at an issue price of \$0.05 per share. (The last trade in the market of these shares of the Corporation prior to this conversion took place at \$0.01 per share)(See note 9 below)

Proceeds of the loans were used for working capital purposes.



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**9. SHARE CAPITAL**

The authorized capital is an unlimited number of common shares.

The following share transactions have occurred in the past two fiscal years.

|  | Number<br>Of Shares | Amount     |
|--|---------------------|------------|
| Balance November 30, 2011  | 89,077,078          | 10,240,641 |
| Issue of flow through shares pursuant to a private placement<br>(See (i) below)                                  | 1,000,000           | 100,000    |
| Issue of flow through and non-flow-through shares pursuant to a<br>private placement (See (ii) below)            | 3,000,000           | 240,000    |
| Issue of flow-through and non- flow-through shares for cash<br>pursuant to a private placement (see (iii) below) | 3,000,000           | 150,000    |
| Issue of flow-through and non-flow-through shares for cash<br>pursuant to a private placement (see (iv) below)   | 1,800,000           | 90,000     |
| Issue of shares to Sphere pursuant to the Dome agreement   | 2,000,000           | 120,000    |
| Share issue expenses   |                     | (43,738)   |
| Flow-through premium   |                     | (40,100)   |
| Balance November 30, 2012  | 99,877,078          | 10,856,803 |
| Issue of flow through shares pursuant to a private placement (see<br>(v) below)                                  | 500,000             | 25,000     |
| Flow-through premium   |                     | (2,500)    |
| Issue of shares pursuant to a private placement (see (vi) below)   | 7,500,000           | 75,000     |
| Issue of shares upon conversion of debt (see (vii) below)  | 4,413,030           | 220,665    |
| Issue of shares pursuant to a private placement (see (vii) below)  | 12,500,000          | 125,000    |
| Share issue expenses   |                     | (21,136)   |
| Balance November 30, 2013  | 124,790,108         | 11,278,832 |

(i) 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. Ian McAavity, President & CEO of the Corporation, subscribed for 100% of the private placement. The financing was approved by the non-interested directors of the Corporation. The securities issued pursuant to the private placement were subject to a hold period which expired April 30, 2012.

(ii) 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 Chairman of the Board and the Chief Executive Officer subscribed for 45% of the private placement. The financing was approved by the non-interested directors of the Corporation. The securities issued pursuant to the private placement were subject to a hold period which expired June 22, 2012.

(iii) 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 Chairman of the Board and the Chief Executive Officer subscribed for 100% of the private placement. The financing was approved by the non-interested directors of the Corporation. The

# **Duncan Park Holdings Corporation**

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securities issued pursuant to the private placement were subject to a hold period which expired September 23, 2012.

(iv) 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 Chairman of the Board and the Chief Executive Officer subscribed for 100% of the private placement. The financing was approved by the non-interested directors of the Corporation. The securities issued pursuant to the private placement were subject to a hold period expiring December 1, 2012.

(v) On December 14, 2012 the Corporation issued 500,000 "flow-through" common shares at a price of \$0.05 per share. Proceeds from the \$25,000 private placement were used for the Corporation's exploration program on its Red Lake properties. The Chief Executive Officer of the Corporation subscribed for 100% of the shares issued pursuant to the private placement, which were subject to a four month hold period. The financing was approved by the non-interested directors of the Corporation.

(vi) On August 30, 2013 the Corporation issued 7,500,000 common shares at a price of \$0.01 per share. The Chairman of the Board and the Chief Executive Officer each subscribed for \$25,000 of shares. The financing was approved by the non-interested directors of the Corporation. The Private Placement was priced in reliance of the temporary relief measures established by the TSX Venture Exchange. The principal purpose of the proceeds of the Private Placement were used to pay the final \$75,000 property payment to complete the earn-in on the McManus property and to provide working capital to maintain or preserve Duncan Park's existing operations, activities and assets. The shares issued are subject to a four month holding period.

(vii) On August 30, 2013 the Corporation completed a shares-for-debt transaction whereby the Corporation issued 4,413,030 common shares at a price of \$0.05 per share in full satisfaction of certain loans totaling \$220,665 (including accrued interest of \$5,665) made to the Corporation by the Chairman of the Board and the Chief Executive Officer. The securities issued pursuant to the Shares-for-Debt Transaction and Private Placement are subject to a four-month hold period. The transactions were approved by the non-interested directors of the Corporation.

(viii) On September 19, 2013 the Corporation issued 12,500,000 common shares at a price of \$0.01 per share. The Chairman of the Board and the Chief Executive Officer each subscribed for \$7,500 of shares. The financing was approved by the non-interested directors of the Corporation. The Private Placement was priced in reliance of the temporary relief measures established by the TSX Venture Exchange. The principal purpose of the proceeds of the Private Placement were used to pay the final \$75,000 property payment to complete the earn-in on the McManus property and to provide working capital to maintain or preserve Duncan Park's existing operations, activities and assets. The shares issued are subject to a four month holding period.

## **10. CONTRIBUTED SURPLUS**

Contributed surplus represents the value attributable to stock options granted but not exercised.

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#### **11. WARRANTS**

In February, 2011, 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.

|                                    | Number      |
|------------------------------------|-------------|
| Balance November 30, 2011          | 5,238,094   |
| Issued                             | -           |
| Exercised                          | -           |
| Expired                            | (5,238,094) |
| Balance November 30, 2012 and 2013 | -           |

#### **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.

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

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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.

|                      | 2013      |               | 2012      |               |
|----------------------|-----------|---------------|-----------|---------------|
|                      | Number    | Average Price | Number    | Average Price |
| At beginning of year | 4,800,000 | \$0.10        | 4,800,000 | \$0.30        |
| Granted              | -         | -             | -         | -             |
| Exercised            | -         | -             | -         | -             |
| Expired              | (800,000) | \$0.30        | -         | -             |
| Forfeited            | -         | -             | -         | -             |
| At end of year       | 4,000,000 | \$0.10        | 4,800,000 | \$0.13        |

Vested options exercisable at November 30, 2013 – 4,000,000 (2012 – 4,800,000)

Weighted average exercise price of vested options exercisable - \$0.10 (2012 - \$0.13)

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 vested over an 18-month period, with one-third of the options vesting every six months. The option grants were 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 800,000 options with an exercise price of \$0.30 expired unexercised on January 2, 2013.

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At November 30, 2013 the following Director/Officer/Contractor options were outstanding.

| Holder          | On #<br>Of Shares | Exercise<br>Price | Expiry<br>Date |
|-----------------|-------------------|-------------------|----------------|
| Eric Salsberg   | 500,000           | \$0.10            | March 31, 2016 |
| Harold Doran    | 1,000,000         | \$0.10            | March 31, 2016 |
| Ian McAvity     | 1,000,000         | \$0.10            | March 31, 2016 |
| Larry Kornze    | 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 |
|                 | 4,000,000         |                   |                |

The weighted average exercise price of the options is \$0.10 (2012 - \$0.133).

The weighted average contractual life of the options is 2.33 years (2012 – 3.33 years)

### 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 and 2013, the Corporation renounced a further \$466,550 and \$25,000 respectively. Accordingly, these amounts will never be deductible by the Corporation for income tax purposes. The result is the deferred income taxes payable by the Corporation will be higher than they would otherwise be. Based upon a substantially enacted deferred corporation income tax rate of 26.5%, a liability of \$474,761 (2012 - \$468,136) 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 deferred 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:

|  | 2013        | 2012        |
|--|-------------|-------------|
| Reported loss before income taxes            | \$(188,623) | \$(266,144) |
| Combined statutory income tax rate           | 26.5%       | 26.63%      |
| Expected income tax recovery at current rate | (49,985)    | (70,861)    |
| Non-deductible expenses                      | 11,898      | 1,589       |
| Tax rate changes and other differences       | -           | (26,872)    |
| Unrecognized deferred tax assets             | 61,883      | 96,144      |
| Deferred tax                                 | \$ -        | \$ -        |

Changes to the federal and provincial income tax rates were announced in 2011 and 2012 which resulted in an adjustment to the opening carrying value of temporary differences and current tax rates.

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Deferred Tax Balances

The balance in the statement of financial position comprises:

|  | 2013      | 2012      |
|--|-----------|-----------|
| Losses carried forward                     | \$635,650 | \$573,768 |
| Share issue costs                          | 24,881    | 29,441    |
| Mineral property                           | (474,761) | (468,136) |
|  | 185,770   | 135,073   |
| Deferred tax assets not recognized         | (185,770) | (135,073) |
| Balance in statement of financial position | \$ -      | \$ -      |

The Corporation has non-capital losses of approximately \$2,398,000 expiring as shown in the following table.

| Loss    | Expiring | Loss    | Expiring | Loss    | Expiring |
|---------|----------|---------|----------|---------|----------|
| 236,217 | 2015     | 188,981 | 2029     | 260,174 | 2033     |
| 304,850 | 2016     | 125,437 | 2030     | 228,278 | 2034     |
| 39,310  | 2017     | 282,441 | 2031     |         |          |
| 397,080 | 2028     | 330,670 | 2032     |         |          |

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.

The potential benefit of these carry-forward non-capital losses, capital losses, and deductible temporary differences in excess of the deferred tax liabilities have not been recognized in these financial statements as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be recovered.

**14. RELATED PARTIES**

The Corporation's compensation costs for the year comprise:

|                         | 2013     | 2012     |
|-------------------------|----------|----------|
| Cash Based              |          |          |
| Executives              | \$29,085 | \$68,200 |
| Stock Based             |          |          |
| Executives              | -        | 34,446   |
| Non-executive directors | -        | 25,833   |
| Other contractors       | -        | 8,352    |
| Total stock based       | -        | 68,631   |
| Total compensation      | \$29,085 | 136,831  |

**15. FINANCIAL INSTRUMENTS**

The Corporation's financial instruments include from time to time cash, miscellaneous receivables and deposits and trade accounts payable and accrued liabilities. The Corporation designated its cash as loans

# Duncan Park Holdings Corporation

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and receivables which are measured at amortized cost. 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. The fair value of the Corporation's financial instruments approximates their cost due to the short-term nature of the financial instruments.

#### 16. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of shares in issue during the year.

|                                   | <u>2013</u> | <u>2012</u> |
|-----------------------------------|-------------|-------------|
| Net loss                          | (188,623)   | (266,144)   |
| Weighted average number of shares | 105,826,390 | 95,836,094  |
| Loss per share                    | \$0.002     | \$0.003     |

The number of potentially dilutive shares from options that have been excluded from the calculation of diluted earnings per share because they are antidilutive is 4,000,000 (2102 – 4,800,000).

#### 17. FINANCIAL RISK

The Corporation's financial instruments consist primarily of cash and cash equivalents, accounts payable and loans payable. The Corporation is exposed to various risks as it relates to these financial instruments. There have not been any changes in the nature of these risks or the process of managing these risks from previous periods.

i) Foreign-Exchange Risk

The Corporation's exposure to foreign exchange fluctuations is low, limited to its U.S. cash which at November 30, 2013 amounted to US\$49,121 (2012 - US\$298) and US accounts payable which were US\$1,990 (2012 - US\$25).

ii) Interest-Rate Risk

The Corporation currently has no fixed-term cash or cash equivalent assets. During the year interest bearing debt outstanding at a fixed rate of 5% was held. No interest bearing debt was held at the year-end (2012 - \$75,000).

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#### 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.

#### 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.

The Corporation considers capital to comprise share capital, contributed surplus, and accumulated deficit. At November 30, 2013 the balance in these accounts was:

|                     | 2013        | 2012        |
|---------------------|-------------|-------------|
| Share capital       | 11,278,832  | 10,856,803  |
| Contributed surplus | 400,293     | 400,923     |
| Accumulated deficit | (8,871,417) | (8,682,794) |

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 year.

## **18. COMMITMENTS**

In December 2011, February 2012, May 2012, August 2012, and December 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 \$391,550 on or before December 31, 2013. These commitments have been met.

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

## **19. SUBSEQUENT EVENT**

On December 20, 2013 the Corporation issued 186,000 shares to Camp McMan Red Lake Gold Mines Ltd. with respect to the acquisition of the McManus Claims. This was required because Sphere did not issue the required final 500,000 of its shares on or before December 15, 2013.