Duncan Park Holdings Corporation

Unaudited Condensed Interim Financial Statements

As At and For the Three and Six Months Ended

May 31, 2017 and 2016

Expressed in Canadian Dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of Duncan Park Holdings Corporation for the three and six months ended May 31, 2017 were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*. 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 condensed 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 condensed 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

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Duncan Park Holdings Corporation
Unaudited Condensed Interim Statements of Financial Position
Expressed in Canadian Dollars
May 31, 2017

	May 31 2017	November 30 2016
ASSETS		
CURRENT ASSETS		
Cash (Note 5)	$2,221	$2,141
Federal sales tax recoverable	5,419	4,787
Prepaid expenses	-	2,744
	7,640	9,672
NON-CURRENT ASSETS		
Exploration and evaluation assets		
Dome project (Note 6)	1,270,523	1,270,523
McManus project (Note 6)	954,448	944,448
	2,224,971	2,214,971
LAND (Note 7)	175,000	175,000
TOTAL ASSETS	$2,407,611	$2,399,643
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$120,729	$35,451
TERM LOANS (NOTE 8)	435,476	414,123
	556,205	449,574
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	11,332,138	11,332,138
Contributed surplus	400,293	400,293
Accumulated deficit	(9,881,025)	(9,782,362)
TOTAL SHAREHOLDERS' EQUITY	1,851,406	1,950,069
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,407,611	$2,399,643

Commitments Note 16

Duncan Park Holdings Corporation

Unaudited Condensed Interim Statements of Operations and Comprehensive Loss

Expressed in Canadian Dollars

For the three and six month periods ended May 31, 2017 and 2016

	Three months ended May 31		Six months ended May 31	
	2017	**2016**	**2017**	**2016**
EXPENSES				
Compensation (Note 12)	$13,127	$3,338	$30,273	$6,630
Professional fees				
Legal	15,577	14,458	28,990	17,439
Audit	3,600	5,625	7,200	12,918
Regulatory compliance	9,328	14,266	11,464	20,348
Investor communications	826	641	1,576	3,141
Bank charges	328	304	622	639
Interest on term loans	5,006	3,781	9,852	7,084
Office and general	3,912	2,077	4,686	6,069
Property taxes	414	414	4,000	2,643
TOTAL EXPENSES	52,118	44,904	98,663	76,911
FINANCE INCOME				
Interest and foreign exchange	-	-	-	(400)
Amortization of flow-through premium	-	-	-	(1,500)
	-	-	-	(1,900)
LOSS FOR THE PERIOD	(52,118)	(44,904)	(98,663)	(75,011)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	($52,118)	($44,904)	($98,663)	($75,011)
LOSS PER SHARE				
Basic	($0.000)	($0.000)	($0.001)	($0.001)
Diluted	($0.000)	($0.000)	($0.001)	($0.001)
Weighted Average Number of Shares Outstanding	126,076,108	126,076,108	126,076,108	126,002,775

The accompanying notes are an integral part of these financial statements

Duncan Park Holdings Corporation
Unaudited Condensed Interim Statements of Changes in Shareholders' Equity
Expressed in Canadian Dollars
For the years ended May 31, 2017 and 2016

	Share Capital	Contributed Surplus	Deficit	Total
Balance November 30, 2015	$11,332,138	$400,293	($9,137,776)	$2,594,655
Loss for the period			(75,011)	(75,011)
Balance May 31, 2016	11,332,138	400,293	(9,212,787)	2,519,644
Loss for the period			(569,575)	(569,575)
Balance November 30, 2016	$11,332,138	$400,293	(9,782,362)	$1,950,069
Loss for the period			(98,663)	-$98,663
Balance May 31, 2017	$11,332,138	$400,293	($9,881,025)	$1,851,406

The accompanying notes are an integral part of these financial statements

Duncan Park Holdings Corporation
Unaudited Condensed Interim Statements of Cash Flows
Expressed in Canadian dollars
For the six month period ended May 31

	2017	2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING ACTIVITIES		
Net loss for the period	($98,663)	($75,011)
Interest accrued on term loans	9,852	7,084
Flow-through premium	-	(1,500)
(Increase) decrease in federal sales tax recoverable	(632)	319
Decrease in prepaid expenses	2,744	-
Increase in current liabilities	85,279	30,748
	(1,420)	(38,360)
FINANCING ACTIVITIES		
Advances from directors and shareholders	11,500	65,000
INVESTING ACTIVITIES		
Investment in exploration properties	(10,000)	(23,470)
INCREASE IN CASH	80	3,170
CASH		
AT BEGINNING OF PERIOD	2,141	34,450
AT END OF PERIOD	$2,221	$37,620

The accompanying notes are an integral part of these financial statements

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 more recently by term loans 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. The Corporation's registered address is 77 King Street West, Suite 3000, Toronto, ON, M5K 1G8.

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 May 31, 2017 the Corporation had a working capital deficiency of $548565(2016- working capital of $154,496). The primary reason for the increase is the reclassification of the term loans payable of $430,469, from long-term to current liabilities due to their becoming payable within one year, offset by the declassifying of land held for resale of $175,000 from current assets. Further, the Corporation must raise the approximately $14,000 per month needed for normal ongoing administrative expenses. The Corporation has embarked on a program to resolve the overall negative situation, but there is no way of knowing whether it will be successful. 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 period ending May 31, 2017 and the comparative figures for the period ended May 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of the financial statements

These financial statements were authorized for issue by the Board of Directors on July27, 2017.

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 the International Financial Reporting Interpretations Committee ("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 ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 16 – Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Corporation is in the process of evaluating the impact of the new standard.

3. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been adopted for the period ended May 31, 2017 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.

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.

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 receivables which are measured at amortized cost. Accounts payable and accrued liabilities and term loans are classified as other financial liabilities which are measured at amortized cost.

Fair Value Measurement

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value into the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are directly or indirectly observable:

Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

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 arsing 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.

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.

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 provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome that 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.

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.

5. CASH

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

6. EXPLORATION AND EVALUATION ASSETS

The Corporation acquired a 100% interest in two properties in the Red Lake mining district of north-western Ontario, Canada, commonly referred to as the "Dome Property", with respect to 17 unpatented mining claims covering 40 mining units and approximately 504 hectares in the Dome, Byshe and Heyson Townships, and the "McManus Claims" 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 annual advance royalty payments of $10,000 per annum commenced in December, 2014.

	Dome	McManus	Total
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
Issue of shares to Camp McMan		9,300	9,300
Legal fees		14,006	14,006
Exploration costs	7,055	10,704	17,759
Balance November 30, 2014	1,473,164	1,165,720	2,638,884
Exploration costs	41,971	10,646	52,617
Balance, November 30, 2015	1,515,135	1,176,366	2,691,501
Exploration costs	5,388	18,082	23,470
Write-down	(250,000)	(250,000)	(500,000)
Balance November 30, 2016	1,270,523	944,448	2,214,971
Exploration costs		10,000	10,000
Balance May 31, 2017	1,270,523	954,448	2,224,971

The Corporation has taken a write-down on its E&E properties and the recoverable amount was determined on various market indicators including the current share price. The recoverable amount was determined to be approximately $2,200,000.

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 is a level 3 input within the fair value hierarchy and is based upon similar properties and is in the range of $150,000 to $200,000. In addition, the Corporation owns a 94 acre block of undeveloped land south of the subdivision which has an assessed value of $130,000.

8. TERM LOANS

In 2014 the Corporation entered into unsecured term loan agreements aggregating $50,000 and $95,000 with Mr. Eric Salsberg the Chairman of the Board and Mr. Ian McAvity the former President and Chief Executive Officer respectively. The loans bear interest at the rate of 5% per annum calculated annually, and are due and payable on or before December 15, 2017.

On each of February 27, April 30, July 20, and February 29, 2016 the Corporation entered into similar $30,000 term loans with Mr. McAvity. The loans bear interest at the rate of 5% per annum calculated annually, and are due and payable on or before December 15, 2017.

On February 29, 2016 the Corporation entered into a similar $35,000 term loan with Mr. McAvity. The loan bears interest at the rate of 5% per annum calculated annually, and is due and payable on or before December 15, 2017.

On May 31, 2016 the Corporation entered into a similar $30,000 term loan with Mr. Salsberg. The loan bears interest at the rate of 5% per annum calculated annually, and is due and payable on or before December 15, 2017.

On August 16, 2016 the Corporation entered into a similar US$15,000 term loan with a shareholder. The loan bears interest at the rate of 5% per annum calculated annually, and is due and payable on or before December 15, 2017.

On November 29, 2016 the Corporation entered into a similar $36,000 term loan with Mr. Salsberg. The loan bears interest at the rate of 5% per annum calculated annually, and is due and payable on or before December 15, 2017.

Proceeds of the loans are being used for working capital purposes.

On January 3, 2017, the Corporation entered into two similar $5,000 and $6,500 term loans with two shareholders. The loans bear interest at the rate of 5% per annum calculated annually, and are due and payable on or before December 15, 2017.

Proceeds of the loans were used primarily to pay the $10,000 advance minimum royalty on the McManus patented claims and for working capital purposes.

Included in the balance on the unaudited condensed interim statements of financial position is accrued interest at May 31, 2017 of $38,229 (May 31, 2016 – $19,823).

The above commentary reflects the fact that the lenders of all of the term loans agreed to extend the due dates of the loans to December 15, 2017.

9. SHARE CAPITAL

The authorized capital is an unlimited number of common shares.

There have been no share issuances in the past fiscal year and the current fiscal year to date.

10. CONTRIBUTED SURPLUS

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

11. 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 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 fiscal year and the current year to date.

	2017		2016	
	Number	Average Price	Number	Average Price
At beginning of period	-	-	3,900,000	$0.10
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-3,900,000	-
Forfeited	-	-	-	-
At end of period	-	-	-	-

Vested options exercisable at May 31, 2017 – Nil (2016 – 3,900,000)
Weighted average exercise price of vested options exercisable – Nil (2016 - $0.10)

12. INCOME TAXES

The Corporation has non-capital losses of approximately $2,380,000 expiring as shown in the following table.

Loss	Expiring		Loss	Expiring		Loss	Expiring
			125,437	2030		230,364	2034
39,310	2017		282,441	2031		171,849	2035
397,080	2028		330,670	2032		177,989	2036
188,981	2029		265,417	2033		160,160	2037

In addition, it has a capital loss of $5,439,490 (no change from prior year) 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.

13. RELATED PARTY TRANSACTIONS

The only related party transactions are with corporate executives.

Executive Compensation

		2017		2016	
		3 Months	6 Months	3 Months	6 Months
Cash Based					
	Executives	$13,127	$30,273	$3,338	$6,630
Stock Based					
	Executives	-	-	-	-
	Non-executive directors	-	-	-	-
	Other contractors	-	-	-	-
Total stock based		-	-	-	-
Total compensation		$13,127	$30,273	$3,338	$6,630

Term Loans

See Note 8.

14. 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 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 and term loans are classified as other financial liabilities and are measured at amortized cost.

15. 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 period.

	2017	2016
Net loss	52,118	44,904
Weighted average number of shares	126,076,108	126,076,108
Loss per share	$0.000	$0.000

16. FINANCIAL RISK

The Corporation's financial instruments consist primarily of cash, accounts payable and accrued liabilities, and term 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 limited to its U.S. cash which at May 31, 2017 amounted to Nil (2016 - Nil) and US accounts payable and term loan which were US$45,000 (2016 - Nil).

ii) Interest-rate risk

The Corporation currently has no fixed-term cash or cash equivalent assets. During the period interest bearing debt at a fixed rate of 5% per annum was issued. At May 31, 2017 the interest bearing debt, including accrued interest, amounted to $435,476 (2016 – $313,553).

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 May 31, 2017 the balance in these accounts was:

	2017	2016
Share capital	11,332,138	11,332,138
Contributed surplus	400,293	400,923
Accumulated deficit	9,881,025	9,782,362

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.

17. COMMITMENTS

In prior years the Corporation has issued flow-through shares and in accordance therewith it 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. All exploration expenditure obligations have been met.