

Duke Mountain Resources, Inc  
Form 10-Q  
May 13, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

**FORM 10-Q**

☒ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2009

☐ Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 333-140177

**DUKE MOUNTAIN RESOURCES, INC AND SUBSIDIARY**

(Exact name of Small Business Issuer as specified in its charter)

**Nevada**

**98-0503336**

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(State or other jurisdiction of incorporation)

(IRS Employer Identification No.)

**6805 Sundance Trail, Riverside, CA 92506**

(Address of principal executive offices)

**(951) 907-9911**

(Issuer's telephone number)

**Common Stock, \$0.001 par value per share**

(Title of Each Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer, non-accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

There were 12,180,000 common shares outstanding of as of May 8, 2009.

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**DUKE MOUNTAIN RESOURCES, INC AND SUBSIDIARY**

(an exploration stage company)

**CONSOLIDATED BALANCE SHEETS**

March 31, 2009 and December 31, 2008

March 31, 2009    December 31, 2008

(unaudited)

**ASSETS**

Current Assets

Cash & cash equivalents

\$

338,741

\$

341,872

---

---

Total current assets

338,741

341,872

Mineral rights

15,000

40,000

---



---

Total assets

\$

353,741

\$

381,872

---



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## LIABILITIES AND STOCKHOLDERS' EQUITY

### Current Liabilities

Accounts payable

\$

-

\$

-

---



---

Total current liabilities	-	-
---------------------------	---	---

### Stockholders' Equity

Common stock, \$0.001 par value: Authorized: 76,000,000 shares,

Issued and outstanding: 12,180,000 shares



12,180

12,180

Additional paid-in capital

519,820

519,820

Loss accumulated during the exploration stage

(178,259)

(150,128)

---

---

Total stockholders' equity

353,741

381,872

---

---

Total liabilities and stockholders' equity

\$

353,741

\$

381,872

---

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The accompanying notes are an integral part of these financial statements

PAGE 1

**DUKE MOUNTAIN RESOURCES, INC AND SUBSIDIARY**

(an exploration stage company)

CONSOLIDATED STATEMENTS OF OPERATIONS

**For the three months ended March 31, 2009 and 2008 and from Inception (May 3, 2006) to March 31, 2009**

**(unaudited)**

From Inception (May 3, 2006) to

March 31, 2009

March 31, 2008

March 31, 2009

**Revenue**

\$

-

\$

-

\$

-

**Operating Expenses**

Advertising and promotional

320

108

3,803

Licenses and fees

619

2,134

11,736

Loss from foreign exchange

-

-

53

Office and miscellaneous

40

565

15,395

Write-off of mineral rights

25,000

-

25,000

Exploration Costs

-

-

23,112

Management fees

2,250

-

4,125

Professional fees

798

18,132

112,651

Utilities

-

544

2,489

Total Operating Expenses

29,029

21,483

198,364

**Other income and (expenses)**

Interest expense

(10)

(71)

(450)

Interest income

906 2,733

20,555

— —

Total other income and (expenses) 896 2,662 20,105

Loss before income taxes

(28,131)

(18,821) (178,259)

Provision for income taxes — — —

—

**Net loss**

\$ (28,131) \$ (18,821)

\$ (178,259)

Loss per share-basic and diluted

\$ (0.00)      \$ (0.00)

Weighted average number of common shares

outstanding    basic and diluted

12,180,000

12,180,000

The accompanying notes are an integral part of these financial statements

PAGE 2

**DUKE MOUNTAIN RESOURCES, INC AND SUBSIDIARY**

(an exploration stage company)

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

**from Inception (May 3, 2006) to March 31, 2009**

(unaudited)

Loss

Accumulated

During the

Total

Common Stock

Additional      Exploration

Stockholders

Shares

Amount

Paid-in Capital

Stage

Equity



Balances, May 3, 2006

-

\$ -

\$

-

\$ -

\$

-

Common stock issued for cash in private

placement, May 3, 2006

10,000,000

10,000

10,000

Common stock issued for cash in private

placement, May 19, 2006

1,000,000

1,000

49,000

50,000

Common stock issued for cash in private

Placement, May 31, 2006

405,000

405

161,595

162,000

Net loss

(12,704)

(12,704)

---

Balances, December 31, 2006

11,405,000

11,405

210,595

(12,704)

209,296

Common stock issued for cash in public

Offering, August 29, 2007

760,000

760

303,240

304,000

Common stock issued for cash in public

Offering, October 31, 2007

15,000

15                      5,985

6,000

Net loss

(69,547)

(69,547)

---

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Balances, December 31, 2007

12,180,000

12,180

519,820

(82,251)

449,749

Net loss

(67,877)

(67,877)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Balances, December 31, 2008

12,180,000

12,180

519,820

(150,128)

381,872

Net loss

(28,131)

(28,131)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Balances, March 31, 2009

12,180,000

\$12,180

\$519,820

\$(178,259)

\$ 353,741

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The accompanying notes are an integral part of these financial statements

PAGE 3



**DUKE MOUNTAIN RESOURCES, INC AND SUBSIDIARY**

(an exploration stage company)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the three months ended March 31, 2009, and 2008 and from Inception (May 3, 2006) to March 31, 2009**

**(unaudited)**

From inception

(May 3, 2006) to

March 31, 2009

March 31, 2008

March 31, 2009

**Cash Flows from Operating Activities**

Net loss for the period

\$ (28,131)

\$

(18,821)

\$ (178,259)

Write-off of mineral rights

\$ 25,000

\$ 25,000

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Net cash used in operating activities

(3,131)

(18,821)

(153,259)

### Cash Flows from Investing Activities

Investment in mineral rights

\_\_\_\_\_

\_\_\_\_\_

(40,000)

Net cash used in investing Activities

\_\_\_\_\_ -

\_\_\_\_\_ -

(40,000)

### Cash Flows from Financing Activities

Proceeds from public offering

-

- 310,000

Proceeds from private placement - - 222,000

\_\_\_\_\_

\_\_\_\_\_

Net cash flows from financing activities

-

-

532,000

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Change in cash and cash equivalents**

(3,131)

(18,821) 338,741

**Cash and cash equivalents, beginning of period**

341,872

409,749 -

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Cash and cash equivalents, end of period**

\$



338,741

\$

390,928

\$ 338,741

**Supplemental disclosure of cash flow information:**

**Cash paid for:**

Interest

\$

10

\$

71

\$ 450

Income taxes

\$

-

\$

-

\$

-

The accompanying notes are an integral part of these financial statements



## **CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **Note 1. Basis of Presentation and Going Concern Uncertainties**

#### **Organization**

Duke Mountain Resources, Inc. (the "Company"), a Nevada Corporation, was formed on May 3, 2006 with authorized capital of 76,000,000 shares of common stock, par value of \$0.001 per share.

On September 21, 2007, the Company established a Canadian operating subsidiary Duke Mountain Resources Canada, Inc. The Canadian operating subsidiary will conduct all mineral explorations for Duke Mountain Resources, Inc. Duke Mountain Resources Canada, Inc. controls over 1,315 hectares of mineral claims. All mineral claims were transferred to the Canadian operating subsidiary Duke Mountain Resources Canada, Inc., on December 21, 2007 from the Company's former President and Chief Executive Officer.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Duke Mountain Resources Canada, Inc. The subsidiary holds title to all mineral claims and has no liabilities.

Duke Mountain Resources, Inc., together with its wholly owned subsidiary, is an exploration stage company focused on the acquisition and exploration of gold, silver and base metal properties.

The accompanying unaudited interim financial statements in the opinion of management contain all adjustments (which are of a normal recurring nature) necessary to present fairly the financial position as of March 31, 2009, and the results of operations for the three months ended March 31, 2009 and 2008 and the period from May 3, 2006 (inception) through March 31, 2009, and cash flows for the three months ended March 31, 2009 and 2008 and from May 3, 2006 (inception) through March 31, 2009. These results have been determined on the basis of generally accepted accounting principles and practices in the United States and applied consistently with those used in the preparation of the Company's 2008 audited financial statements.

#### **Going Concern**

The Company has not generated any revenues and has incurred losses of \$178,259 since inception. The Company has incurred a loss of \$28,131 during the quarter ended March 31, 2009. The Company faces all the risks common to companies in their early stages of development including under capitalization and uncertainty of funding sources, high initial expenditure levels, uncertain revenue streams, and difficulties in managing growth. In view of these conditions, the ability of the Company to continue as a going concern is in substantial doubt and dependent upon achieving a profitable level of operations and on the ability of the Company to obtain necessary financing to fund ongoing operations. The Company's financial statements do not reflect any adjustments that might result from the outcome of this uncertainty. The future of the Company hereafter will depend in large part on the Company's ability to successfully raise capital from external sources to pay for planned expenditures and to fund operations.

To meet these objectives, the Company has completed a private placement for gross proceeds of \$222,000 and a public financing of \$310,000, and continues to seek other sources of financing in order to support existing operations and expand the range and scope of its business. See Notes 3 and 4. However, there are no assurances that any such financing can be obtained on acceptable terms, if at all.

### **Mineral Rights**

Mineral rights consist of direct costs to obtain the mineral claims. If mineral right costs are capitalized and the Company determines it is not economically feasible to develop the claim, the costs are immediately expensed. Also, mineral rights costs are not capitalized at an amount more than the anticipated recovery from the claim area. Mineral rights costs associated with specific areas will be amortized as minerals are received from the areas. As of March 31, 2009, the Company has completed phase one of its exploration program on all three of its mineral claims. As a result of the unsatisfactory Phase 1 results, management has decided not to further pursue the Goldstar and Rosewall mineral claims and has written-off the \$25,000 of the mineral rights associated with these those mineral claims. Amortization will not begin until mining operations commence and there has been no amortization to date. All other costs related to the exploration and the development of unproven properties are expensed as incurred.

### **Earnings per Share and Potentially Dilutive Securities**

Basic loss per share is computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding in the period. Diluted loss per share takes into consideration common shares outstanding (computed under basic earnings per share) and potentially dilutive securities. The Company has 1,550,000 in common stock equivalents outstanding as of March 31, 2009 and 2008. These common stock equivalents are not included in the earnings per share computation since they are anti dilutive due to the net loss of the Company.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Recent Accounting Pronouncements**

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, ( FSP EITF 03-6-1 ). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore need to be included in the computation of earnings per share under the two-class method as described in FASB Statement of Financial Accounting Standards No. 128, *Earnings per Share*. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008 and earlier adoption is prohibited. We are not required to adopt FSP EITF 03-6-1; neither do we believe that FSP EITF 03-6-1 would have material effect on our consolidated financial position and results of operations if adopted.

In April 2009, the FASB issued FASB Staff Position ( FSP ) FAS 107-1 and Accounting Principles Board (APB) 28-1 *Interim Disclosures about Fair Value of Financial Instrument* ( FSB 107-1 ). FSP 107-1 amends FAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require an entity to provide disclosures about fair value financial instruments in interim financial information. This FSP is to be applied prospectively and is effective for interim and annual periods ending June 15, 2009. The Company will include the required disclosures in its quarter ending June 30, 2009 as applicable.

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Asset in a Market That Is Not Active*. The FSP was effective upon issuance, including periods for which financial statements have not been issued. The FSP clarified the application of FAS 157 in an inactive market and provided an illustrative example to demonstrate how the fair value of a financial asset is determined when the market for that financial asset is inactive. The adoption of FSP FAS 157-3 did not have a significant impact on the Company's consolidated financial statements.

## **Note 2. Related Party Transactions**

On May 19, 2006 and June 16, 2006 the Company's former President, Chief Executive Officer, Chief Financial Officer and director acquired three mineral claims on the Company's behalf. These mineral claims were held by the Company's former President in trust for the Company. Under the British Columbia Mineral Tenure Act, the title to British Columbia mineral claims can only be held by individuals or British Columbia corporations.

On September 21, 2007 the Company organized a 100% wholly owned Canadian subsidiary incorporated in British Columbia. All mineral titles held in trust by the Company's former President were transferred to the Company's Canadian subsidiary Duke Mountain Resources Canada, Inc., on December 21, 2007. There are a total of seven tenures which are 100% owned by the Company's subsidiary. The tenures cover a total area of 1,315 hectares. The tenure numbers are 522570, 522607, 525453, 525454, 532950, 535928 and 560684.

On May 3, 2006, the Company completed a private placement with its former President and Chief Executive Officer where by 10,000,000 shares were purchased for \$10,000 at \$0.001 per share. On September 12, 2008 the Company's former President resigned from the Company's Board and was replaced by Mr. Dave Gamache as the Company's President, CEO and CFO.

### **Note 3. Private Placement**

On May 19, 2006, the Company completed a private placement for \$50,000 where investors purchased 1,000,000 shares for \$0.05 per share. On May 31, 2006 a second private placement was completed for \$162,000 where investors purchased 405,000 shares for \$0.40 per share.

### **Note 4. Public Offering**

On October 31, 2007, the Company completed a public offering for \$310,000 where investors purchased 775,000 units for \$0.40 per unit (760,000 shares purchased on August 29, 2007 and 15,000 shares purchased on October 31, 2007). Each unit consisted of one common share, one class A warrant to purchase a common share at \$0.50 per share for a period of 60 months from date of issuance and one class B warrant to purchase one common share at \$0.55 per share for a period of 60 months from date of issuance. Since the Company is not currently trading and has not commenced operations, the warrants are deemed to have no value and are not detachable.

### **Note 5. Income Taxes**

As of March 31, 2009, the Company did not have any income for tax purposes and, therefore, no tax liability or expense has been recorded in these financial statements. The difference between the statutory federal tax rate and the tax provision of zero recorded by the Company is primarily due to the Company's full valuation allowance against its deferred tax assets.

The Company has tax losses of carry forwards of approximately \$178,000 as of March 31, 2009 which are available to reduce future taxable income. The tax losses expire in 2026 to 2029.

The deferred tax asset associated with the tax loss carry-forward is approximately \$69,500 as of March 31, 2009. A valuation allowance of \$69,500 has been set up against the deferred tax asset due to the uncertainty as to the recoverability of the asset.

### **Note 6. Warrants**

The movement of share purchase warrants is summarized as follows:

As of March 31, 2009, the following warrants were outstanding:

(a)

775,000 Class A warrants which entitle the holder to purchase 775,000 common shares of the Company at \$0.50 each expiring on October 31, 2012

(b)

775,000 Class B warrants which entitle the holder to purchase 775,000 common shares of the Company at \$0.55 each expiring on October 31, 2012.

No warrants were exercised through March 31, 2009

#### **Note 7. Subsequent Event**

On April 20, 2009 the Company entered into a definitive agreement with Pacific Recovery Group. The Company paid \$20,000 to Pacific Recovery Group for a 4% interest in over 25 treasure recovery projects on the Island of Luzon, Philippines. The \$20,000 is an unsecured loan to be repaid with the proceeds from the recovery of the treasure.

### **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS**

#### **Cautionary Note Regarding Forward Looking Statements**

This report contains forward-looking statements that involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding the market price of gold, silver and lead, availability of funds, government regulations, operating costs, exploration costs, outcomes of exploration programs and other factors. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. You can identify forward-looking statements by terminology such as may, will, should, expect, plan, intend, anticipate, believe, e potential or continue, the negative of such terms or other comparable terminology. Our actual results may differ materially. In evaluating these statements, you should consider various factors. These factors may cause our actual results to differ materially from any forward-looking statement. While these forward-looking statements are made in good faith and reflect our current judgment regarding our business plans, our actual results will almost always vary, sometimes materially, from any future performance suggested herein.



## **General**

The following discussion and analysis should be read in conjunction with our financial statements (and notes related thereto) appearing elsewhere in this report.

## **Plan of Operations**

### **Goldstar Property:**

#### *Phase 1 work*

We have completed Phase 1 of our exploration program on our Goldstar property, which consisted of reconnaissance geological mapping, prospecting and rock sampling. The cost for this work was \$5,340. This phase was completed in December 2007. After analysis of the Phase 1 results, it was determined that Phase 2 and Phase 3 were not economically viable and the mineral rights associated with Goldstar were written off during the quarter ended March 31, 2009

### **Rosewall Gold:**

#### *Phase 1 Work*

We have completed Phase 1 of our exploration program on our Rosewall Gold Property, which consisted of reconnaissance geological mapping, prospecting and rock sampling. The cost for this work was \$5,397. This phase one was completed in June 2008. After analysis of the Phase 1 results, it was determined that Phase 2 and Phase 3 were not economically viable and the mineral rights associated with Rosewall Gold were written off during the quarter ended March 31, 2009

### **Waterloo Creek Property:**

Phase 1 Work

We have completed Phase 1 of our exploration program on our Rosewall Gold Property, which consisted of reconnaissance geological mapping, prospecting and rock sampling. The cost for this work was \$7,105. This phase one was completed in June 2008. Further geological work will be conducted for Phase 1 during the second quarter of 2009 after which a determination will be made regarding Phase 2 work.

Phase 2 Work and Cost Estimate

Phase 2 of the proposed exploration program consists of detailed geological mapping and rock sampling, grid construction, soil and silt geochemical survey, IP survey, establish drill and trenching targets; the projected cost is approximately \$100,000. We do not have a start date for phase 2 exploration until our consulting geologist recommends phase 2 work based on review of data from phase 1 exploration.

Phase 3 Work and Cost Estimate

Phase 3 of the proposed exploration program consists of approximately 1000 meters of diamond drilling including geological supervision, assays, and reports. The estimated cost is approximately \$175,000. We will not make a decision as to whether to commence phase 3 until we have had the opportunity to assess the results of phase 2.

We anticipate spending approximately \$4,000 monthly in ongoing general and administrative expenses over the next year. These expenses will consist primarily of the professional fees for the audit and legal work relating to our regulatory filings throughout the year, as well as general transfer agent fees, annual mineral claim fees and general office expenses.

As of March 31, 2009, we had cash reserves of \$338,741 and as of December 31, 2008, we had cash reserves of \$341,872. We anticipate this to be enough to cover the costs for general and administrative expenses over the next year. However, our ability to pay for any additional exploration work or other expenses will be subject to us obtaining additional financing as these expenditures will exceed our available cash reserves.

During the year, we anticipate that we will not generate any revenue. Accordingly, we will be required to obtain additional financing in order to continue our plan of operations. We believe that debt financing will not be a feasible alternative as we do not have tangible assets to secure any debt financing. We anticipate that additional financing will be equity financing from the sale of our common stock.

We currently have two outstanding Warrants from our most recent public offering. There are 775,000 Warrant A s issued and outstanding and 775,000 Warrant B s issued and outstanding. Warrant A can be converted into one common share at \$0.50 per share and

Warrant B can be exercised into one common share at \$0.55 per share. If both Warrants are exercised, the Company would receive

\$813,750. Both Warrants will expire on October 31, 2012.

We cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock or exercising of warrants to fund our exploration program or any of our other expenses. In the absence of such financing, we will not be able to continue exploration of our mineral claims and our business plan will fail. Even if we are successful in obtaining equity financing to fund phase two of our exploration program, there is no assurance that we will obtain the funding necessary to pursue any advanced exploration of our mineral claims. If we do not continue to obtain additional financing, we will be forced to abandon our mineral claims and our plan of operations.

Should such a situation arise, we may consider entering into a joint venture arrangement to provide the required funding to continue our development of our mineral claims.

We have not undertaken any efforts to locate a joint venture partner for the mineral claims. Even if we elected to pursue a joint venture partner, there is no assurance that any other party would want to enter into a joint venture agreement with us. If we entered into a joint venture agreement, we would likely have to assign a percentage of our interest in our mineral claims to our joint venture partner.

## **Results of Operations**

We incurred a loss of \$28,131 for the three months ended March 31, 2009 compared to a loss of \$18,821 for the same period of 2008. We have engaged additional professionals in conjunction with our securities filings so that we can improve our system of internal controls and progress with the development of our mineral properties. We expect our total operating expenses to be approximately \$12,000 per quarter for the remainder of 2009.

## **Future Financing**

We anticipate continuing to rely on equity sales of our common stock to finance our business operations. Issuances of additional shares will result in dilution to our existing shareholders. There is no assurance that we will achieve any additional sales of our equity securities or arrange for debt or other financing to fund our planned exploration activities.

**Off-Balance Sheet Arrangements.** We do not have any off-balance sheet arrangements.

## **Item 4T. CONTROLS AND PROCEDURES**

*Evaluation of disclosure controls and procedures.* Under the supervision and with the participation of our senior management, including our chief executive officer and Principal Accounting Officer, Mr. Dave Gamache, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end period covered by this quarterly report. Based on this evaluation, our chief executive officer and Principal Accounting Officer concluded as of March 31, 2009, that our disclosure controls and procedures were effective such that the information required to be disclosed in our Securities and Exchange Commission ( SEC ) reports ( i ) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and ( ii ) is accumulated and communicated to our management, including our chief executive officer and Principal Accounting Officer, as appropriate to allow timely decisions regarding required disclosure.

*Changes in internal control over financial reporting.* There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2009, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1 LEGAL PROCEEDINGS.**

None.

### **1A. RISK FACTORS**

*We have sought to identify what we believe to be the most significant risks to our business. However, we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our Common Stock. We provide the following cautionary discussion of risks, uncertainties and possible inaccurate assumptions relevant to our business. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed here could adversely affect us. If any of the following risks actually occur, our business, financial condition or operating results could be harmed. In such case, you could lose all or a portion of your investment.*

**We have yet to earn revenue and, our ability to sustain our operations is dependent on our ability to raise financing.**

We are an exploration stage Company; we have not generated any revenues since inception and we do not expect to generate any revenues for the foreseeable future, we incurred a net loss of \$178,259 for the period from May 3, 2006 (inception) to March 31, 2009 and a loss of \$28,131 for the three months ending March 31, 2009. Our future is dependent upon our ability to obtain financing and upon future profitable operations from the commercial exploitation of our mineral claims. These factors raise substantial doubt that we will be able to continue as a going concern.

**If we do not obtain additional financing, we will need to curtail our exploration activities and our business may fail, in which case you may lose your investment.**

For the next year of operations, our current operating funds should be sufficient to cover the initial phase of our exploration program, in addition to providing funds for anticipated operating overheads, professional fees and regulatory filing fees. However, our existing funds may be insufficient if the actual costs of our exploration program significantly exceed our estimates or if we decide to proceed to or beyond Phases 2 and 3 of our exploration program or if we decided to begin mining efforts in the event that it is determined that our property contains mineral reserves. Therefore, we will need to obtain additional financing in order to complete our full business plan.

In order for us to perform any further exploration or extensive testing past the second phase we will need to obtain additional financing. As of March 31, 2009 we had cash in the amount of \$338,741. We currently do not have any operations and we have no income.

Our business plan calls for significant expenses in connection with the exploration of our mineral claims. We will have sufficient funds to carry out phases 1 on all properties and phase 2 exploration work for the Waterloo property for approximately \$117,842 (to the extent warranted by our exploration results), we will require additional capital for phase 3 work on our Waterloo Property and additional capital for general corporate expenses.

We will require additional financing to sustain our business operations if we are not successful in earning revenues once exploration is complete. If our exploration programs are successful in discovering ore of commercial tonnage and grade, we will require additional funds in order to place our properties into commercial production. We currently do not have any arrangements for financing and we may not be able to obtain financing when required. Obtaining additional financing would be subject to a number of factors many of which are beyond our control, including the market prices for copper and gold and the costs of exploring for or mining these materials. These factors may make the timing, amount, terms or conditions of additional financing unavailable to us.

**Because of the difficulties and uncertainties inherent in the mineral exploration business, we face a high risk of business failure.**

At this time, we are uncertain as to whether we will be successful in finding mineral deposits on our properties; if exploration efforts are not successful, we will be unable to generate revenues from our operations and we will have to cease doing business.

Potential investors should be aware of the difficulties normally encountered by new mineral exploration companies and the high rate of failure of such enterprises.

The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration of the mineral properties that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates.

The expenditures to be made by us in the exploration of the mineral claims may not result in the discovery of mineral deposits. Problems such as unusual or unexpected formations and other conditions are involved in mineral exploration and often result in unsuccessful exploration efforts.

**Because of the inherent dangers involved in mineral exploration, there is a risk that we may incur liability or damages as we conduct our business.**

The search for valuable minerals involves numerous hazards. As a result, we may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which we cannot insure or against which we may elect not to insure. At the present time we have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on our financial position.

**We have no known mineral reserves and if we cannot find any, we will have to cease operations.**

We have no mineral reserves. If we do not find a mineral reserve containing gold, copper, or silver or if we cannot complete the exploration of the mineral reserve, either because we do not have the money to do it or because it will not be economically feasible to do it, we will have to cease operations and you will lose your investment. Mineral exploration is highly speculative. It involves many risks and is often non-productive. Even if we are able to find mineral reserves on our property our production capability is subject to further risks including:

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Costs of bringing the property into production including exploration work, preparation of production feasibility studies, and construction of production facilities, all of which we have not budgeted for;

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Availability and costs of financing;

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Ongoing costs of production; and

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Environmental compliance regulations and restraints.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond our control and which cannot be accurately predicted, such as market fluctuations, the lack of milling facilities and processing equipment near our properties, and such other factors as government regulations, including regulations relating to allowable production, importing and exporting of minerals, and environmental protection.

Given the above noted risks, the chances of finding reserves on our mineral properties are remote and funds expended on exploration will likely be lost.

**Because we will be subject to compliance with government regulation which may change, the anticipated costs of our exploration program may increase and require us to curtail or cease our operations.**

There are several governmental regulations that materially restrict mineral exploration. We will be subject to the Mining Act of British Columbia as we carry out our exploration programs. We may be required to obtain work permits, post bonds and perform remediation work for any physical disturbance to the land in order to comply with these regulations. While our planned exploration program budgets for regulatory compliance, there is a risk that new regulations could increase our costs of doing business and prevent us from carrying out our exploration program.

Permitting for the initial phases of exploration work on each of our properties has not been received. As currently contemplated, Phase 1 of our exploration program (as to all three of our properties) does not require any permits.



Phases 2 and 3 however will be subject to permits if any type of work, like rock trenching, blasting or establishing cut-line grids is to be conducted. There is no cost for these permits other than the costs incurred by the geologist to file these with the Government of British Columbia on behalf of the Company. If any future regulatory requirements, applicable to our operations, increase the cost of our compliance, we may find it necessary to curtail or cease our exploration activities, in which event you may lose your investment.

**Because the Province of British Columbia owns the land covered by our mineral claims and native land claims might affect our title to the mineral claims or to British Columbia's title to the property, our business plan may fail.**

We are unaware of any outstanding native land claims with respect to any of our properties. However, it is possible that a native land claim could be made in the future. The federal and provincial government policy at this time is to consult with all potentially affected native bands and other stakeholders in the area of any potential mining. Should we encounter a situation where a native person or group claims an interest in our claims, we may be able to provide compensation to the affected party in order to continue with our exploration work, or if such an option is not available, we may have to relinquish our interest in these claims. In either case, the costs and/or losses could be greater than our financial capacity and our business would fail.

#### **Risks Particular to the market of our Common Stock**

##### **Market for our common stock.**

On June 27, 2008 we were cleared for trading under ticker symbol DKMR. Our shares are quoted on the NASD Over-the-Counter Bulletin Board (the **Bulletin Board** ).

**The price of our common stock may fluctuate significantly and may be negatively affected by factors beyond our ability to control or predict.**

The price of our common stock may be affected by broader market trends unrelated to our competitors operating performances. Our stock price and the stock prices of many other companies in the resource sectors have historically experienced wide fluctuations, including rapid rises and declines in the stock prices that have often been unrelated to the operating performance of such companies. Volatile trends and fluctuations are typically the result of the combination of general economic, political and market conditions. These factors are beyond our ability to control or predict.

**The value and transferability of our shares may be adversely impacted by the penny stock rules.**

Holders of our common stock may experience substantial difficulty in selling their securities as a result of the penny stock rules. Our common stock is covered by the penny stock rules, a Securities and Exchange Commission ( **SEC** or the **Commission** ) rule that imposes additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors, generally institutions with assets in excess of \$5,000,000 or individuals with net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell our securities and also may affect the ability of purchasers of our stock to sell their shares in the secondary market.

It may also cause fewer broker dealers to make a market in our stock. In addition to the "penny stock" rules promulgated by the SEC, the NASD has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the NASD believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The NASD requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

**We may compete for time and efforts of our officers and directors.**

Some of our officers and directors are also officers, directors, and employees of other companies, and we may have to compete with the other companies for their time, attention and efforts.

Other than our President, Mr. Dave Gamache who expects to devote approximately twenty five (25%) of his time to our affairs, our other officers and directors anticipate devoting approximately five (5%) percent of their time to our matters.

**Our proposed businesses raise potential conflicts of interests between certain of our officers and directors and us.**

Certain of our directors are or may become directors and employees of other mineral exploration companies and, to the extent that such companies may participate in ventures in which we may participate, our directors may have conflict of interest in negotiating and concluding terms regarding the extent of such participation by us and such other companies. In addition, directors may present potential prospects to such other companies rather than presenting the opportunities to us or be affiliated with other exploration companies which may compete with our mineral claims. We have not established any mechanisms regarding the resolution of any such conflict if it were to arise; accordingly, there is no assurance that any such conflict will be resolved in a manner that would not be adverse to our interest.

**We have a large number of restricted shares outstanding, a portion of which may be sold under rule 144 which may reduce the market price of our shares.**

Of the 12,180,000 shares of common stock issued and outstanding, assuming no warrants are exercised, 11,405,000 shares are deemed restricted securities, within the meaning of Rule 144; eighty two (82%) percent of these restricted shares are owned by our former Director. Absent registration under the Securities Act, the sale of such shares is subject to Rule 144, as promulgated under the Securities Act.

It is anticipated that all of the restricted securities will be eligible for resale under Rule 144. In general, under Rule 144, subject to the satisfaction of certain other conditions, a person, who is not an affiliate (and who has not been an affiliate for a period of at least three months immediately preceding the sale) and who has beneficially owned restricted shares of our common stock for at least six months is permitted to sell such shares without restriction, provided that there is sufficient public information about us as contemplated by Rule 144. An affiliate who has beneficially owned restricted shares of our common stock for a period of at least one year may sell a number of shares equal to one percent of our issued and outstanding common stock approximately every three months. With one affiliate and non affiliates holding restricted securities as of the date of this report, the respective hold periods commenced on February 14, 2008.

The possibility that substantial amounts of our common stock may be sold under Rule 144 into the public market may adversely affect prevailing market prices for the common stock and could impair our ability to raise capital in the future through the sale of equity securities.

**Competition**

We operate in a highly competitive industry, competing with other mining and exploration companies, institutional and individual investors, which are actively seeking mineral exploration properties throughout the world together with the equipment, labor and materials required for the exploration of such properties. Many of our competitors have financial resources, staff and facilities substantially greater than ours.

The principal area of competition is encountered in the financial ability to effectively acquire prime mineral exploration properties and having the ability to explore these properties. Competition for the acquisition of mineral

exploration properties is intense, with many properties available in a competitive bidding process in which we may lack technological information or expertise available to other bidders. Therefore, we may not be successful in acquiring, exploring and developing profitable properties in the face of competition. No assurance can be given that a sufficient number of suitable mineral exploration properties will be available for acquisition, exploration and development.

**Because our former executive officer and director, owns 82% of our outstanding common stock, investors may find that corporate decisions controlled by Mr. Rayat are inconsistent with the interests of other stockholders.**

Our former President, controls 82% of our issued and outstanding shares of common stock. Accordingly, in accordance with our Articles of Incorporation and Bylaws, our former Director is able to control who is elected to our board of directors and thus could act, or could have the power to act, as our management. Since our former Director is our majority shareholder, his interests as a controlling shareholder may, at times, be adverse to those of passive investors. Where those conflicts exist, our shareholders will be dependent upon our former Director exercising in a manner fair to all of our shareholders. Also, due to his stock ownership position, our former Director will have:

(i) the ability to control the outcome of substantially all corporate actions requiring stockholder approval, including amendments to our articles of incorporation; (ii) the ability to control corporate combinations or similar transactions that might benefit minority stockholders which may be rejected by our former Director to their detriment, and (iii) control over transactions between him and us.

**Future sales of shares by us may reduce the value of our stock.**

Since our inception, we have relied on such equity sales of our common stock to fund our operations. We may conduct further equity offerings in the future to finance our current projects or to finance subsequent projects that we decide to undertake.

If common stock is issued in return for additional funds, the price per share could be lower than that paid by our current stockholders. We anticipate continuing to rely on equity sales of our common stock in order to fund our business operations. If we issue additional stock, your percentage interest in us will be diluted. The result of this could reduce the value of your stock.

**We Rely On Our Management, The Loss Of Whose Services Could Have A Material Adverse Effect On Our Business.**

We rely upon the services of our board of directors and management, in particular those of Mr. Dave Gamache, the loss of which could have a material adverse effect on our business and prospects. Competition for qualified personnel to serve in a senior management position is intense. If we are not able to retain our directors and management, or attract other qualified personnel, we may not be able to fully implement our business strategy; failure to do so would have a materially adverse impact on our future prospects.

We currently have no employment agreements with any of our officers and directors imposing any specific condition on our officers and directors regarding their continued employment by us. Our officers and directors are also officers, directors and employees of other companies, and we may have to compete with such other companies for their time, attention and efforts. Except for Mr. Dave Gamache, none of our officers and directors are expected to spend more than approximately five (5%) of their time on our business affairs. We do not maintain key man insurance on any of our directors or officers.

**Compliance With Changing Regulation Of Corporate Governance And Public Disclosure May Result In Additional Expenses.**

Keeping abreast of, and in compliance with, changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and, in the event we are ever approved for listing on either NASDAQ or a registered exchange, NASDAQ and stock exchange rules, will require an increased amount of management attention and external resources. We intend to continue to invest all reasonably necessary resources to comply with evolving standards, which may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

**We Do Not Intend To Pay Dividends For The Foreseeable Future.**

We currently intend to retain future earnings, if any, to support the development and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize their investment.

**Item 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None

**Item 3 DEFAULTS UPON SENIOR SECURITIES.**

None.

**Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

None.

**Item 5 OTHER INFORMATION.**

There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.







**Item 6 EXHIBITS AND REPORTS ON FORM 8K**

(a) Exhibits

Exhibit 31.1      Certification of C.E.O. and Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1      Exhibit      Certification of C.E.O. and Principal Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.





SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 13, 2009

DUKE MOUNTAIN RESOURCES, INC.

By: /s/ Dave Gamache

Name: Dave Gamache

Title: President, Chief Executive Officer

Principal Accounting Officer and Director





**Exhibit 31.1**

**CERTIFICATIONS**

I, Dave Gamache, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Duke Mountain Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;



(b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: May 13, 2009

/s/ Dave Gamache

Dave Gamache

President, Chief Executive Officer,

Principal Accounting Officer and Director



**Exhibit 32.1**

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Duke Mountain Resources, Inc. (the Company ), on Form 10-Q for the period ending March 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the Report ), I, Dave Gamache, President and Principal Accounting Officer of the Company certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report duly complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dave Gamache

Dave Gamache

President, Chief Executive Officer,

Principal Accounting Officer and Director