

DURANGO RESOURCES INC.
(An Exploration Company)
FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2017
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Durango Resources Inc.

We have audited the accompanying financial statements of Durango Resources Inc., which comprise the statements of financial position as at July 31, 2017 and July 31, 2016, and the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Durango Resources Inc. as at July 31, 2017 and July 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt about the ability of Durango Resources Inc. to continue as a going concern.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, British Columbia
November 24, 2017**

Durango Resources Inc.
(An Exploration Stage Company)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	July 31, 2017	July 31, 2016
Assets		
Current		
Cash	\$ 805,281	\$ 504,912
Amounts receivable	5,307	10,306
Marketable securities (Note 4)	652,500	-
	<u>1,463,088</u>	<u>515,218</u>
Exploration and evaluation assets (Note 5)	1,617,438	1,294,634
Reclamation bond	10,000	10,000
Total assets	<u>\$ 3,090,526</u>	<u>\$ 1,819,852</u>
Liabilities and Shareholders' Equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 59,998	\$ 134,396
Due to related parties (Note 8)	3,000	8,756
	<u>62,998</u>	<u>143,152</u>
Shareholders' equity		
Share capital (Note 6)	6,966,543	6,085,207
Contributed surplus (Note 6)	590,198	562,634
Accumulated other comprehensive income	22,500	-
Deficit	<u>(4,551,713)</u>	<u>(4,971,141)</u>
	<u>3,027,528</u>	<u>1,676,700</u>
Total liabilities and shareholders' equity	<u>\$ 3,090,526</u>	<u>\$ 1,819,852</u>

Nature of business and going concern (Note 1)
 Commitments (Notes 5 and 10)

Approved and authorized by the Board on November 24, 2017.

"Marcy Kiesman"
 Director

"Verónica Liu"
 Director

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

Durango Resources Inc.
(An Exploration Stage Company)
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Year ended July 31, 2017	Year ended July 31, 2016
Administrative expenses		
Business Consultants (Note 8)	\$ 109,940	\$ 190,785
Directors' Fees (Note 8)	12,000	7,000
Internet and Website	28,636	13,919
Investor Relations & Conferences	52,740	37,639
Listing and Transfer Agent Fees	19,042	38,411
Meals	3,234	3,194
Office Supplies	11,023	18,212
Professional Fees	21,338	23,191
Rent (Note 8)	11,341	11,438
Share-based Payments (Notes 6 and 8)	44,250	90,300
Travel	7,973	1,241
Loss before other items	<u>(321,517)</u>	<u>(435,330)</u>
Other Items		
Expense recovery in Excess of Costs (Note 5)	779,055	4,642
Gain on Settlement of Debt	2,534	24,127
Write off of Exploration and Evaluation Assets, Net of Recovery (Note 5)	<u>(40,644)</u>	<u>(37,506)</u>
	<u>740,945</u>	<u>(8,737)</u>
Net income (loss) for the year	419,428	(444,067)
Other comprehensive income		
Unrealized Gain on Available-for-sale Investments	<u>22,500</u>	<u>-</u>
Total comprehensive income (loss)	\$ 441,928	\$ (444,067)
Basic earnings (loss) per share	\$ 0.01	\$ (0.03)
Diluted earnings (loss) per share	<u>0.01</u>	<u>(0.03)</u>
Weighted average number of shares outstanding - Basic	30,336,381	16,943,002
Weighted average number of shares outstanding - Diluted	30,367,173	16,943,002

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

Durango Resources Inc.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOW
(Expressed in Canadian Dollars)

	Year ended July 31, 2017	Year ended July 31, 2016
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	\$ 419,428	\$ (444,067)
Items not affecting cash		
Write off of exploration and evaluation assets, net of recovery	40,644	37,506
Share-based payments	44,250	90,300
Expense recovery in excess of costs	(779,055)	(4,642)
Gain on settlement of debt	(2,534)	(24,127)
	(277,267)	(345,030)
Changes in non-cash working capital balances		
Amounts receivable	4,999	(7,168)
Due to related parties	(5,756)	(99,250)
Accounts payable and accrued liabilities	(55,948)	88,045
	(333,972)	(363,403)
Investing activities		
Exploration and evaluation costs	(183,718)	(359,876)
Cash received for option payment	150,000	10,000
	(33,718)	(349,876)
Financing activities		
Proceeds from issuance of common shares	668,059	1,216,995
Share issue costs	-	(9,500)
	668,059	1,207,495
Increase (decrease) in cash	300,369	494,216
Cash beginning of year	504,912	10,696
Cash end of year	\$ 805,281	\$ 504,912
Supplemental cash flow information (note 10)		
Interest paid (received)	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

Durango Resources Inc.
(An Exploration Stage Company)
STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital				Accumulated Other Comprehensive Income		Total Shareholders' Equity
	Shares	Amount	Contributed Surplus			Deficit	
Balance, July 31, 2015	9,446,556	\$ 4,590,931	\$ 416,867	\$	-	\$ (4,527,074)	\$ 480,724
Shares issued for private placement	5,085,000	519,625	58,875		-	-	578,500
Share issue costs	-	(13,275)	3,775		-	-	(9,500)
Shares issued for exploration and evaluation assets	4,125,000	240,000	-		-	-	240,000
Shares issued to settle debt	2,385,893	102,248	-		-	-	102,248
Share issued for warrant and option exercise	6,497,457	638,495	-		-	-	638,495
Reclassification on exercise of warrants and options	-	7,183	(7,183)		-	-	-
Share-based payments	-	-	90,300		-	-	90,300
Net loss for the year	-	-	-		-	(444,067)	(444,067)
Balance, July 31, 2016	27,539,906	6,085,207	562,634		-	(4,971,141)	1,676,700
Share issued for private placement	5,125,152	315,309	-		-	-	315,309
Share issued for exploration and evaluation assets	2,200,000	187,000	-		-	-	187,000
Shares issued to settle debt	100,961	9,591	-		-	-	9,591
Shares issued for warrant and option exercise	2,800,000	352,750	-		-	-	352,750
Reclassification on exercise of warrants and options	-	16,686	(16,686)		-	-	-
Share based payments	-	-	44,250		-	-	44,250
Unrealized gain on available-for-sale investments	-	-	-		22,500	-	22,500
Net income for the year	-	-	-		-	419,428	419,428
Balance, July 31, 2017	37,766,019	\$ 6,966,543	\$ 590,198	\$	22,500	\$ (4,551,713)	\$ 3,027,528

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

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2017

1. Nature of Business and Going Concern

Durango Resources Inc. (the "Company") was incorporated on August 21, 2006 under the British Columbia Company Act and is listed on the TSX Venture Exchange under the symbol "DGO". The Company is engaged in the business of exploring precious and base mineral properties in Canada. At July 31, 2017, the Company is considered an exploration stage company. The head office and principal address of the Company is Suite 248, 515 West Pender Street, Vancouver, British Columbia, V6B 6H5.

These financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at July 31, 2017, the Company has not recognized revenue, has working capital of \$1,400,090 (2016 – \$372,066), has accumulated operating losses of \$4,551,713 (2016 – \$4,971,141) since its inception, and has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continuation of the Company is dependent upon the continuing financial support of shareholders, obtaining long-term financing to complete exploration and development and the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims and upon future profitable production. While the Company is expending its best efforts to achieve the above plans, there is significant doubt regarding the outcome of these matters. Based on its current plans, budgeted expenditures, and cash requirements, the Company does have sufficient cash to finance its current plans. The Company expects that it may need to raise additional capital to accomplish its business plan over the next several years. The Company may seek additional financing through equity financing. There can be no assurance as to the availability or terms upon which such financing might be available. These material uncertainties may cast significant doubt about the ability of the Company's going concern.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might arise from this uncertainty.

2. Basis of Presentation

These financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss or available-for-sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2017

3. Significant Accounting Policies

Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future periods if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and impairment charge, if any, of the exploration and evaluation assets.
- ii) The estimated amounts of reclamation and environmental obligations.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The Company's management made the following critical accounting judgments:

- i) The determination of deferred tax assets and liabilities recorded in the financial statements.
- ii) The determination of whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at July 31, 2017 management had determined that no reclassification of exploration and evaluation assets was required.
- iii) The Company's ability to continue as a going concern, as disclosed in Note 1.

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2017

3. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash, bank deposits, cashable guaranteed investment certificates and all highly liquid investments with a maturity of three months or less at the date of purchase. Due to the short time to maturity of cash equivalents, their carrying amounts approximate their fair value.

Exploration and Evaluation Assets

The Company is in the exploration stage in respect to its exploration and evaluation assets.

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

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, geological and geophysical evaluation, surveying costs, drilling costs, payments made to contractors and depreciation on property and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Where the Company has entered into option agreements for the acquisition of an interest in exploration and evaluation assets which provided for periodic payments, such amounts unpaid are not recorded as a liability since they are payable entirely at the Company's discretion. Although the Company has taken steps to verify title to the exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. The exploration and evaluation assets may be subject to prior undetected agreements or transfers and title may be affected by such defects.

When a project is deemed to no longer have commercially viable prospects to the Company, 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 profit or loss.

The Company assesses exploration and evaluation assets for impairment at each reporting date.

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 "mine development cost". Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Any incidental revenue earned in connection with exploration activities is applied as a reduction to capitalized exploration costs. Any operational income earned in connection with exploration activities is recognized in profit or loss.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2017

3. Significant Accounting Policies (continued)

Exploration and Evaluation Assets (continued)

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized. However, for corporate income tax purposes, the Company has no right to claim these costs as tax-deductible expenses.

Mining exploration tax credits for certain exploration expenditures incurred in BC and Quebec are treated as a reduction of the exploration and development costs of the respective resource property. The amounts are recorded in the year received.

Impairment of Non-Current Assets

Non-current assets are evaluated at each reporting date by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

In calculating recoverable amount, if applicable, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social, legal, and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2017

3. Significant Accounting Policies (continued)

Reversal of Impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Provision for Environmental Rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company does not have any provisions for reclamation obligations.

Income Taxes

Deferred income tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for which relate to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share 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 expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability and deferred tax expense for the amount of tax reduction renounced to the shareholders. The reduction of the premium previously recorded is recognized as a reduction of deferred tax expense.

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2017

3. Significant Accounting Policies (continued)

Flow-through Shares (continued)

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Tax Act). The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through share proceeds commitment in note 10.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with the Tax Act. When applicable, this tax is accrued as a financial expense until paid.

Share Capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company. The Company's common shares, share warrants and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings (Loss) per Share

The Company applies the "Treasury Stock Method" to calculate loss per common share. Under this method, the basic loss per share is calculated based on the weighted average aggregate number of common shares outstanding during each period. The diluted loss per share assumes that the outstanding stock options and share purchase warrants had been exercised at the beginning of the period and proceeds from dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share warrants and options had an anti-dilutive impact in 2016.

Valuation of Warrants

The Company has adopted the residual value method with respect to the valuation of warrants issued as part of a private placement unit. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the attached warrants.

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2017

3. Significant Accounting Policies (continued)

Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or 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 profit or loss over the remaining vesting period.

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

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

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
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3. Significant Accounting Policies (continued)

Financial Instruments

(i) Financial assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL")

A financial asset is classified as FVTPL if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets designated as FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company does not have any financial assets classified as FVTPL.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. Marketable securities have been classified as AFS.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Cash and amounts receivable have been classified as loans and receivables.

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2017

3. Significant Accounting Policies (continued)

Financial Instruments (continued)

(i) Financial assets (continued)

Held-to-maturity

Held-to-maturity financial assets are measured at amortized cost. The Company does not have any financial assets classified as held-to-maturity.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the financial asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income (loss) to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2017

3. Significant Accounting Policies (continued)

Financial Instruments (continued)

(ii) Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and FVTPL financial liabilities.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and due to related parties.

FVTPL financial liabilities

FVTPL financial liabilities including derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency. The Company does not have any financial liabilities classified as FVTPL.

New accounting policies not yet adopted

The following standards and interpretations have been issued but are not yet effective and have not been early adopted by the Company and the Company has yet to assess the full impact:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard will be effective for the Company for the year ended July 31, 2019.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards.

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3. Significant Accounting Policies (continued)

New accounting policies not yet adopted (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

There were no new accounting standards adopted during the year ended July 31, 2017 that had an impact on the Company's financial statements.

4. Marketable Securities

	Number of shares	Amount
July 31, 2015 and 2016	-	\$ -
Acquired	1,500,000	630,000
Change in Fair Value	-	22,500
July 31, 2017	1,500,000	\$ 652,500

During the year ended July 31, 2017, the Company acquired 1,500,000 shares of Bonterra Resources Inc. as a result of the Trove option agreement signed with Bonterra. See Note 5 for details.

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5. Exploration and Evaluation Assets

	Mayner's Fortune	Kumealon Inlet	Smith Island	Industrial Minerals	Dianna Lake	Whitney NW/ Boss Baby	Trove	Windfall Lake	FSG	Buckshot	Decouverte	Nemaska Claims/ NMX East	Garland Peninsula	Total
	BC				SK	ON	QC						NL	
Balance, July 31, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 730,914	\$ 383	\$ -	\$ 731,297
Acquisition costs														
Cash payments	1,332	-	35,000	-	151,976	28,000	2,506	-	358	358	-	80,982	-	300,512
Shares issued	61,000	-	-	-	-	144,000	-	-	-	-	-	-	35,000	240,000
Current year additions	62,332	-	35,000	-	151,976	172,000	2,506	-	358	358	-	80,982	35,000	540,512
Deferred exploration costs														
Assay & Exploration	-	-	-	-	31,760	-	-	-	-	-	17,897	14,082	-	63,739
Professional Services	1,950	-	-	-	-	-	-	-	-	-	-	-	-	1,950
Current year additions	1,950	-	-	-	31,760	-	-	-	-	-	17,897	14,082	-	65,689
Write-off of costs	-	-	-	-	-	-	(2,506)	-	-	-	-	-	(35,000)	(37,506)
Cost recovery	-	-	-	-	-	-	-	-	-	(358)	-	(5,000)	-	(5,358)
Balance, July 31, 2016	64,282	-	35,000	-	183,736	172,000	-	-	358	-	748,811	90,447	-	1,294,634
Acquisition costs														
Cash payments	10,689	1,390	-	4,275	-	20,000	-	17,286	-	-	-	8,649	-	62,289
Shares issued	-	-	-	99,000	-	-	-	88,000	-	-	-	-	-	187,000
Current year additions	10,689	1,390	-	103,275	-	20,000	-	105,286	-	-	-	8,649	-	249,289
Deferred exploration costs														
Assay & Exploration	2,691	232	3,664	-	17,359	4,959	-	-	-	-	21,547	30,937	-	81,389
Professional Services	9,209	-	-	-	6,054	-	945	-	-	1,992	-	15,515	-	33,715
Current year additions	11,900	232	3,664	-	23,413	4,959	945	-	-	1,992	21,547	46,452	-	115,104
Write-off of costs	-	(1,622)	(38,664)	-	-	-	-	(358)	-	-	-	-	-	(40,644)
Cost recovery	-	-	-	-	-	-	(945)	-	-	-	-	-	-	(945)
Balance, July 31, 2017	\$ 86,871	\$ -	\$ -	\$ 103,275	\$207,149	\$196,959	\$ -	\$105,286	\$ -	\$ 1,992	\$ 770,358	\$145,548	\$ -	\$ 1,617,438

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5. Exploration and Evaluation Assets (continued)

Mayner's Fortune, British Columbia claims

In July 2015, the Company entered an agreement for the acquisition of the Mayner's Fortune property situated in northern British Columbia. Consideration was the issuance of 1,400,000 common shares and 125,000 common shares as a finder's fee (issued).

Smith Island, British Columbia claims

In August 2015, the Company entered an agreement for the acquisition of the past producing Smith Island property situated in northern British Columbia. Consideration was \$35,000 cash (paid). During the year ended July 31, 2017, the property was written down to zero as management had no future plans for the project.

Industrial Minerals, British Columbia claims

In February 2017, the Company entered into an agreement for the acquisition of seven industrial mineral claims totaling 477 hectares and are all located in British Columbia. Consideration was the issuance of 1,000,000 common shares and 100,000 common shares as a finder's fee (issued).

Dianna Lake, Saskatchewan

On April 20, 2016, the Company entered into an agreement to acquire 100% of the 131 hectare Dianna Lake silver project located in northern Saskatchewan near Uranium City. Terms of the agreement are to pay \$150,000 to an arm's length vendor upon completion of a financing (paid), and a further \$150,000 upon achieving a National Instrument 43-101 with an indicated resource of a minimum of 50,000 ounces of silver.

Whitney Northwest, Ontario claims

In March 2016, the Company entered an agreement for the 100% acquisition of the Whitney Northwest property situated in Timmins, Ontario. Consideration was the issuance of 1,500,000 common shares and 100,000 common shares as a finder's fee (issued) and \$25,000 cash (paid). During the year ended July 31, 2017, the Company completed \$4,959 in exploration expenditures and also staked additional claims in the area at a cost of \$20,000.

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5. Exploration and Evaluation Assets (continued)

Trove, Quebec claims

On August 25, 2010, the Company signed an agreement for the acquisition of the Trove Property situated in Quebec. Consideration included a \$12,000 cash payment (paid), the issuance of 2,500,000 common shares (issued) over a period of two years and \$125,000 work commitment to be completed by August 25, 2012. Finder's fees of 250,000 shares were issued. During the year ended July 31, 2013, the Company decided not to continue with the project and wrote off the capitalized costs of \$351,986 to a zero balance. During the year ended July 31, 2016, the Company wrote off an additional \$2,506 in property maintenance costs, as the Company did not have the funds to complete a substantial work plan on the property. During the year ended July 31, 2017, the Company booked a cost recovery of \$779,055 due to an option agreement which was signed with BonTerra Resources Inc. ("BonTerra").

The Company entered into an agreement with BonTerra on March 30, 2017, to option up to 100% of the property. To earn a 100% interest in the Trove Property BonTerra must complete all of the following terms:

- BonTerra must pay Durango \$150,000 in cash and issue to Durango 1,500,000 BonTerra common shares within two business days of the date the TSX Venture Exchange approves of the transaction (received);
- On or before the first anniversary of the closing date, BonTerra must pay Durango a further \$150,000 in cash and issue to Durango an additional 1,500,000 common shares;
- On or before the second anniversary of the closing date, BonTerra must pay Durango \$200,000 and complete a minimum of \$1,000,000 in exploration expenditures, upon which BonTerra will have exercised its option and full title of the property will be transferred from Durango to BonTerra; and
- BonTerra will issue an additional 2,000,000 common shares to Durango as a discovery bonus if, and when, BonTerra produces a technical report compliant with National Instrument 43-101 showing a minimum of 500,000 ounces in inferred resource of gold.

Windfall, Quebec claims

In February 2017, the Company entered into an agreement for the acquisition of the Windfall Lake Trilogy which are 2,600 hectares in size and are located in the Windfall Lake gold camp area of northern Quebec. Consideration included the issuance of 1,000,000 common shares (issued) and 100,000 finder's fees (issued).

Decouverte, Quebec claims

On November 10, 2010, the Company entered into an agreement for the acquisition of the Decouverte Property situated in Quebec. Consideration included the issuance of 2,750,000 common shares (issued) and a \$200,000 work commitment to be completed one year from TSXV approval. The Company owns 100% of the property. During the year ended July 31, 2017 the Company incurred \$21,547 (2016 - \$17,897) in exploration expenditures.

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5. Exploration and Evaluation Assets (continued)

Nemaska claims/NMX East, Quebec claims

During the year ended July 31, 2015, the Company staked 383 hectares in northern Quebec. During the year ended July 31, 2016, the Company staked and purchased additional claims. During the year ended July 31, 2017, \$46,452 was spent on exploration for the NMX East and the surrounding Nemaska properties in relation to the completion of a phase I exploration program which entailed mapping and sampling of lithium bearing pegmatites.

Garland Peninsula, Labrador

During the year ended July 31, 2016, the Company entered into an agreement with an arm's length vendor to acquire 100% of the Garland Peninsula, Labrador nickel-cobalt property. Consideration included the issuance of 1,000,000 common shares upon transfer of ownership. During the year ended July 31, 2016, the property was written down to zero as management decided to abandon the project.

6. Share Capital

Authorized: Unlimited number of common shares without par value

- a. During the year ended July 31, 2017, the Company:
- (i) The Company completed a non-brokered financing of 120,000 flow through units issued at \$0.125 per unit for gross proceeds of \$15,000. The flow through units consisted of one flow through share and one non-flow through warrant exercisable at \$0.15 for a period of one year.
 - (ii) 500,000 warrants were exercised at \$0.10 for gross proceeds of \$50,000.
 - (iii) 1,730,000 warrants were exercised at a price of \$0.15 for gross proceeds of \$259,500.
 - (iv) 70,000 broker warrants were exercised at \$0.10 for gross proceeds of \$7,000.
 - (v) 500,000 options were exercised at an average price of \$0.07 for gross proceeds of \$36,250.
 - (vi) The Company issued 100,961 shares for debt satisfying \$12,125 in accounts payable and accrued liabilities. The shares were valued at \$9,591, and the Company realized a gain on settlement of debt of \$2,534.
 - (vii) The Company completed a property acquisition of five BC industrial mineral projects which include bentonite, perlite, and zeolite for 1,100,000 common shares. The shares were valued at \$0.09 per share for an aggregate value of \$99,000.
 - (viii) The Company completed a property acquisition of a package of Windfall Lake properties in Quebec for 1,100,000 common shares and cash of \$10,000. The shares were valued at \$0.08 per share for an aggregate value of \$88,000.
 - (ix) Completed a non-brokered private placement and issued units at a price of \$0.06 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.10 for a period of two years from the closing date. The first tranche of 2,823,485 units closed on June 7, 2019 for gross proceeds of \$169,409. The second tranche of 1,066,667 units closed on June 9, 2019 for gross proceeds of \$64,000. The third tranche of 1,115,000 units closed on June 20, 2019 for gross proceeds of \$66,900.

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6. Share Capital (continued)

b. During the year ended July 31, 2016, the Company:

- (i) On August 6, 2015, the Company issued 1,400,000 common shares and 125,000 common shares for finder's fees pursuant to an agreement for the acquisition of the Mayner's Fortune limestone property located in northern BC. The shares were valued at \$0.04 per share for an aggregate value of \$61,000.
- (ii) Completed a non-brokered private placement and issued units at a price of \$0.05 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.10 for a period of one year from the closing date. The first tranche of 500,000 units closed permitting warrant holders to exercise the 500,000 warrants until October 2, 2016 for gross proceeds of \$25,000. The second tranche of 750,000 units closed permitting warrant holders to exercise the 750,000 warrants until October 16, 2016 for gross proceeds of \$37,500. The warrants were valued at \$12,500.
- (iii) On October 19, 2015, Durango issued 1,000,000 shares to an arms' length vendor to acquire a 100% interest in three claims blocks of ground in Labrador. The shares were valued at \$35,000.
- (iv) The Company issued 2,002,500 shares for debt satisfying \$14,125 in accounts payable and accrued liabilities, and \$86,000 in amounts due to related parties. The shares were valued at \$60,075, and the Company realized a gain on settlement of debt of \$40,050.
- (v) 6,122,457 warrants were exercised at \$0.10 for gross proceeds of \$612,245.
- (vi) 300,000 options at \$0.05 were exercised and 75,000 at \$0.15 for gross proceeds of \$26,250.
- (vii) On April 22, 2016, the Company issued 1,500,000 shares to arm's length vendors in relation to 100% interest in the Whitney Northwest property located in Timmins, Ontario. 100,000 common shares were issued as a finder's fee in relation to this transaction. The shares were valued at \$0.09 per share for an aggregate value of \$144,000.
- (viii) The Company issued 383,393 shares for debt satisfying \$26,250 in accounts payable and accrued liabilities. The shares were valued at \$42,173, and the Company realized a loss on settlement of debt of \$15,923.
- (ix) Completed a non-brokered private placement and issued 1,325,000 units at a price of \$0.20 per unit for gross proceeds of \$265,000. Each unit consisted of one common share and one share purchase warrant which is exercisable for a period of 24 months at \$0.30 expiring May 6, 2018. The warrants were valued at \$46,375.
- (x) Completed a non-brokered private placement and issued units at a price of \$0.10 per unit. The financing consisted of 2,510,000 common shares and 2,510,000 purchase warrants exercisable at \$0.15 for one common share for a period of one year for gross proceeds of \$251,000. Finder's fees of \$9,500 cash and 90,000 broker warrants were issued in connection with this financing.

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6. Share Capital (continued)

c. Stock options

The Company has adopted an incentive stock option plan, whereby options may be granted from time to time to directors, officers, employees and consultants of the Corporation with common shares to be reserved for issuance as options not to exceed 10% of the issued and outstanding common shares with no one individual being granted options for more than 5% of the issued and outstanding common shares. Stock options granted have a maximum term of ten years according to the TSX Venture rules. The fair value of each grant of stock options during the year ended July 31, 2017, was estimated on the date of grant using the Black-Scholes option valuation model with the following assumptions:

July 31, 2017	Weighted Average or Total
Number of options	1,500,000
Estimated life	3 years
Share price at date of grant	\$0.065
Option exercise price	\$0.0875
Risk-free interest rate	1.2%
Estimated annual volatility	100%
Option fair value	\$0.03
Compensation cost	\$44,250
July 31, 2016	
Number of options	1,550,000
Estimated life	2.4 years
Share price at date of grant	\$0.11
Option exercise price	\$0.12
Risk-free interest rate	1.2%
Estimated annual volatility	100%
Option fair value	\$0.06
Compensation cost	\$90,300

The expected volatility was determined based on the volatility of companies in the same industry with similar size and transactions.

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6. Share Capital (continued)

c. Stock options (continued)

Stock Options Outstanding

	Number of Shares	Weighted Average Exercise Price
Outstanding and Exercisable, July 31, 2015	810,000	\$ 0.08
Granted	1,550,000	0.12
Exercised	(375,000)	0.07
Outstanding and Exercisable, July 31, 2016	1,985,000	0.12
Expired	(485,000)	0.10
Exercised	(500,000)	0.07
Granted	1,500,000	0.09
Outstanding and Exercisable, July 31, 2017	2,500,000	\$ 0.11

The average trading price of shares on dates options were exercised was \$0.12 (2016 - \$0.09).

A summary of the Company's options outstanding and exercisable at July 31, 2017 is as follows:

Number of options outstanding	\$ per share	Expiry date
750,000	\$ 0.15	May 8, 2019
600,000	\$ 0.10	July 17, 2018
400,000	\$0.075	February 7, 2020
750,000	\$ 0.10	May 17, 2020
2,500,000	\$ 0.11	

d. Warrants

Warrants Outstanding

	Number of Warrants	Weighted Average Exercise Price
Outstanding July 31, 2015	6,181,771	\$ 0.10
Issued	5,085,000	0.18
Exercised	(6,122,457)	0.10
Expired	(59,314)	0.10
Outstanding July 31, 2016	5,085,000	0.18
Issued	5,125,152	0.10
Exercised	(2,230,000)	0.14
Expired	(1,650,000)	0.13
Outstanding July 31, 2017	6,330,152	\$ 0.14

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6. Share Capital (continued)

d. Warrants (continued)

A summary of the Company's warrants outstanding and exercisable at July 31, 2017 is as follows:

Number of warrants outstanding	\$ per share	Expiry date
1,325,000	\$ 0.30	May 6, 2018
2,823,485	\$ 0.10	June 7, 2019
1,066,667	\$ 0.10	June 9, 2019
1,115,000	\$ 0.10	June 20, 2019
6,330,152	\$ 0.14	

During the year ended July 31, 2016, the Company issued 90,000 finders' warrants with an exercise price of \$0.10 which expired on June 30, 2017.

7. Capital Disclosures

The Company includes cash and equity, comprising of issued common shares, contributed surplus, accumulated other comprehensive income and deficit, in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended July 31, 2017. The Company is not subject to externally imposed capital requirements.

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8. Related Party Transactions

The following transactions with related parties have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

Key management personnel compensation

For the year ended July 31,	2017	2016
Consulting fees with a company controlled by the President of the Company	\$ 105,000	\$ 102,000
Consulting fees with a Company controlled by the CFO of the Company	-	12,000
Share based payments to directors	34,150	66,850
Rental fees with a company with a common director of the Company	10,500	10,500
Director's Fees	12,000	7,000
	\$ 161,650	\$ 198,350

As at July 31, 2017 and 2016, amounts due to related parties were owed to a company controlled by the CEO and a company controlled by the CFO. The amounts due are non-interest bearing, unsecured, and due on demand.

9. Non-cash Financing and Investing Transactions

	2017	2016
Fair value of finders' warrants issued	\$ -	\$ 3,775
Fair value of options and warrants exercised	\$ 16,686	\$ 7,183
Common shares issued to settle debt	\$ 9,591	\$ 102,248
Common shares issued for exploration and evaluation	\$ 187,000	\$ 240,000
Accounts payable included in exploration and evaluation assets	\$ -	\$ 6,325
Fair value of marketable securities received as option payments	\$ 630,000	\$ -

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10. Commitments

The Company entered into a contract on June 1, 2017 with Steveston Finance, wholly owned by the President (Marcy Kiesman) of the Company. The contract obligates the Company to pay \$10,000 per month for management services until terminated.

The Company entered into an office lease agreement on September 10, 2013 with a corporation with a common director. The contract obligates the Company to pay rent of \$875 per month on a year-to-year basis.

11. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Net income (loss) for the year before income tax	\$ 419,428	\$ (444,067)
Combined federal and provincial tax rate	26%	26%
Expected income tax expense (recovery) at statutory rates	109,051	(115,457)
Non-deductible items for tax purposes	11,925	23,893
Change in unrecognized deferred tax benefits	(120,976)	91,564
Deferred income taxes expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets and liabilities are as follows:

	July 31, 2017	July 31, 2016
Deferred income tax assets (liabilities)		
Share issue costs	\$ 2,000	\$ 2,000
Capital losses	3,000	3,000
Non-capital losses	859,000	786,000
Resource pool	73,000	269,000
Marketable securities	(3,000)	-
	934,000	1,060,000
Tax benefits not recognized	(934,000)	(1,060,000)
Net deferred income tax assets	\$ -	\$ -

As of July 31, 2017, the Company has available non-capital losses of approximately \$3,303,000 for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses expire as follows:

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11. Income Taxes (continued)

2027	\$ 108,000
2028	108,000
2029	141,000
2030	479,000
2031	502,000
2032	459,000
2033	377,000
2034	293,000
2035	217,000
2036	341,000
2037	278,000
	<u>\$ 3,303,000</u>

The Company has available mineral resource related expenditure pools totaling approximately \$1,899,000 which may be deducted against future taxable income on a discretionary basis.

12. Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and currency risk.

a. Credit risk

The Company is exposed to credit risk by holding cash. The maximum exposure to credit risk is equal to the carrying value of the financial assets. This risk is minimized by holding the investments in large Canadian financial institutions or with Canadian governments. The Company has minimal accounts receivable exposure, and its various refundable credits are due from Canadian governments.

b. Interest rate risk

The Company is exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations.

c. Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources. As at July 31, 2017 the Company was holding cash of \$805,281 to satisfy current liabilities of \$62,998. The Company plans to obtain cash inflows from share capital financings. There can be no guarantee that management's efforts to raise additional funds will be successful.

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12. Financial Instruments (continued)

d. Commodity price risk

The Company's ability to raise capital to develop its mineral properties is subject to risks associated with fluctuations in the market prices of precious metals, graphite, base metals and rare earth elements.

e. Currency rate risk

The Company's functional currency is the Canadian dollar. There is no significant foreign exchange risk to the Company. The Company does not engage in any form of derivative or hedging instruments.

f. Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- i. Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- ii. Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- iii. Level 3 – Input for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

July 31, 2017	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ 652,500	\$ -	\$ -	\$652,500

13. Subsequent Events

- In September 2017, the Company acquired fractional claims and claim blocks in northern BC totaling 2,500 hectares for \$15,000 (paid).
- The Company announced on October 11, 2017 it had acquired a 100% interest in a 520 hectare gold prospect property called the Baby Baby property located near Timmins, Ontario. Consideration for the property was \$60,000 on signing (paid) and the issuance of three million common shares (not yet issued) and 250,000 common share finder's fee (not yet issued).