

**DURANGO RESOURCES INC.**  
**(An Exploration Company)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited)**

**FOR THE PERIOD ENDED OCTOBER 31, 2018**  
**(Expressed in Canadian Dollars)**

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

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

	Oct 31, 2018 (Unaudited)	Jul 31, 2018 (Audited)
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 45,636	\$ 456,411
Amounts receivable	111,960	90,185
Marketable securities	504,000	576,000
	661,596	1,122,596
Exploration and evaluation assets (Note 5)	2,147,664	1,960,762
Reclamation bond	10,000	10,000
<b>Total assets</b>	<b>\$ 2,819,260</b>	<b>\$ 3,093,358</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 107,753	\$ 227,694
Due to related parties (Note 8)	9,000	50,230
	116,753	277,924
<b>Shareholders' equity</b>		
Share capital (Note 6)	6,994,043	6,966,543
Contributed surplus	646,773	634,698
Unrealized gain on available for sale investments	(216,000)	(216,000)
Deficit	(4,722,309)	(4,569,807)
	2,702,507	2,815,434
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,819,260</b>	<b>\$ 3,093,358</b>

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

Approved and authorized by the Board on December 31, 2018.

"Marcy Kiesman"  
Director

"Twila Jensen"  
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)**

	Period ended			
	Oct 31,			
	2018		2017	
(unaudited)				
<b>Administrative expenses</b>				
Business Consultants (Note 8)	\$	38,000	\$	31,025
Directors' Fees (Note 8)		4,000		4,000
Investor Relations & Conferences		15,072		19,447
Listing and Transfer Agent Fees		1,195		8,536
Meals		1,016		1,569
Office & Miscellaneous		2,921		3,441
Professional Fees (Note 8)		3,133		2,500
Rent		2,625		2,912
Share-based Payments (Notes 5 and 8)		12,075		-
Travel		465		4,450
<b>Loss before other items</b>		<b>(80,502)</b>		<b>(77,880)</b>
<b>Other Items</b>				
Realized Gain (Loss) on Available for sale investments		(72,000)		44,059
		<b>(72,000)</b>		44,059
<b>Net loss for the period</b>	<b>\$</b>	<b>(152,502)</b>	<b>\$</b>	<b>(33,821)</b>
Weighted average number of shares outstanding		<b>37,066,019</b>		28,450,598

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)**

	Period ended	
	2018	2017
	(unaudited)	
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	\$(152,502)	\$ (33,821)
Items not affecting cash		
Share-based payments	12,075	-
Marketable securities	72,000	282,750
	(68,427)	248,929
Changes in non-cash working capital balances		
Amounts receivable	(63,006)	(10,770)
Due to related parties	41,230	-
Accounts payable and accrued liabilities	(161,170)	8,997
	(251,374)	247,156
<b>Investing activities</b>		
Exploration and evaluation costs	(186,902)	(177,271)
<b>Financing activities</b>		
Proceeds from issuance of common shares	27,500	-
<b>Increase (decrease) in cash</b>	(410,775)	69,886
<b>Cash beginning of period</b>	456,411	805,280
<b>Cash end of period</b>	\$ 45,636	\$875,166
<b>Supplemental cash flow information (Note 9)</b>		
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		Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
	Shares	Amount				
<b>Balance, July 31, 2016</b>	<b>27,539,906</b>	<b>\$ 6,085,207</b>	<b>\$ 562,634</b>		<b>\$ (4,971,141)</b>	<b>\$ 1,676,700</b>
Shares issued for private placement	5,125,152	315,309	-	-	-	315,309
Shares 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 period	-	-	-	-	419,428	419,428
<b>Balance, July 31, 2017</b>	<b>37,766,019</b>	<b>6,966,543</b>	<b>590,198</b>	<b>22,500</b>	<b>(4,551,713)</b>	<b>3,027,528</b>
Realized gain on available for sale investments	-	-	(44,059)	-	-	(44,059)
Net income (loss) for the period	-	-	-	-	(33,821)	(33,821)
<b>Balance, October 31, 2017</b>	<b>37,766,019</b>	<b>6,966,543</b>	<b>546,139</b>	<b>22,500</b>	<b>(4,532,928)</b>	<b>3,002,064</b>
Unrealized loss on available for sale investments	-	-	-	(238,500)	-	(238,500)
Share based payments	-	-	88,559	-	(36,879)	51,680
<b>Balance, July 31, 2018</b>	<b>37,766,019</b>	<b>\$ 6,966,543</b>	<b>634,698</b>	<b>\$ (216,000)</b>	<b>\$ (4,569,807)</b>	<b>\$ 2,815,434</b>
Shares issued for exploration and evaluation assets	500,000	27,500	-	-	-	27,500
Share based payments	-	-	12,075	-	-	12,075
Net income (loss) for the period	-	-	-	-	(152,502)	(152,502)
<b>Balance, October 31, 2018</b>	<b>38,266,019</b>	<b>\$ 6,994,043</b>	<b>\$ 646,773</b>	<b>\$ (216,000)</b>	<b>\$ (4,722,309)</b>	<b>\$ 2,702,507</b>

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

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**Durango Resources Inc.**  
**(An Exploration Stage Company)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**For the Period Ended October 31, 2018**

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**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 October 31, 2018, 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 October 31, 2018, the Company has not recognized revenue, has working capital of \$544,844 (July 31, 2018 – \$844,672), has accumulated operating losses of \$4,722,309 (July 31, 2018 – \$4,569,807) 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 expanding 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.

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**Durango Resources Inc.**  
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### 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 October 31, 2018 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.

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**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.

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**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.

A full listing of all the Significant Accounting Policies can be found in the Annual Audited Financial Statements dated November 28, 2018 as filed on [www.sedar.com](http://www.sedar.com).

**4. Marketable Securities**

	Number of shares	Amount
<b>July 31, 2017</b>	1,500,000	652,500
Sold for proceeds	(1,400,000)	(745,832)
Gain on disposal	-	157,832
Acquired	1,500,000	750,000
Change in Fair Value	-	(238,500)
<b>July 31, 2018</b>	1,600,000	\$ 576,000
Change in Fair Value	-	(72,000)
<b>October 31, 2018</b>	1,600,000	\$ 504,000

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. During the year ended July 31, 2018, 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	Industrial	GT Claims	Dianna	Whitney	Windfall				Nemaska	Total
	Fortune	Minerals		Lake	NW/Boss	Trove	Lake	Buckshot	Decouverte	Claims	
	BC			Sask	Ontario	Quebec					
<b>Balance, July 31, 2017</b>	<b>\$ 86,871</b>	<b>\$ 103,275</b>	<b>\$ -</b>	<b>\$ 207,149</b>	<b>\$ 196,959</b>	<b>\$ -</b>	<b>\$ 105,286</b>	<b>\$ 1,992</b>	<b>\$ 770,357</b>	<b>\$ 145,548</b>	<b>\$ 1,617,437</b>
Acquisition costs											
Cash payments	-	1,907	15,000	-	70,000	2,567	27,500	-	-	-	116,974
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Current year additions	-	1,907	15,000	-	70,000	2,567	27,500	-	-	-	116,974
Deferred exploration costs											
Assay & Exploration	7,187	-	30,810	46,150	9,474	-	76,557	-	427,931	-	598,109
Professional Services	4,300	-	9,800	34,000	-	-	-	-	70,737	600	119,437
Current year additions	11,487	-	40,610	80,150	9,474	-	76,557	-	498,668	600	717,546
Write-off of costs	-	(105,182)	-	-	(276,433)	(2,567)	-	(1,992)	(15,021)	(90,000)	(491,195)
<b>Balance, July 31, 2018</b>	<b>\$ 98,358</b>	<b>\$ -</b>	<b>\$ 55,610</b>	<b>\$ 287,299</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 209,343</b>	<b>-</b>	<b>\$ 1,254,004</b>	<b>\$ 56,148</b>	<b>\$ 1,960,762</b>
Acquisition costs											
Cash payments	-	-	-	-	-	-	-	-	4,358	-	4,358
Shares issued	-	-	-	-	-	-	27,500	-	-	-	27,500
Current year additions	-	-	-	-	-	-	27,500	-	4,358	-	31,858
Deferred exploration costs											
Assay & Exploration	-	-	-	-	-	-	54,598	-	100,445	-	155,044
Professional Services	-	-	-	-	-	-	-	-	-	-	-
Current year additions	-	-	-	-	-	-	54,598	-	100,445	-	155,044
<b>Balance, October 31, 2018</b>	<b>\$ 98,358</b>	<b>\$ -</b>	<b>\$ 55,610</b>	<b>\$ 287,299</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 291,441</b>	<b>-</b>	<b>\$ 1,358,808</b>	<b>\$ 56,148</b>	<b>\$ 2,147,664</b>

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**5. Exploration and Evaluation Assets (continued)**

**Mayner's Fortune, British Columbia claims**

In July 2015, the Company entered into 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). During the year ended July 31, 2018, the Company applied for a bulk tonnage permit for the Mayner's property and incurred \$11,487 in exploration expenditures. No exploration was completed on the property during the period ended October 31, 2018.

**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). During the year ended July 31, 2018, the property was written down to zero as management had no future plans for the project.

**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. During the year ended July 31, 2018, the Company incurred \$80,150 in exploration expenditures on the project. No exploration was completed on the property during the period ended October 31, 2018.

**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, 2018, the Company completed \$9,474 (July 31, 2017 - \$4,959) in exploration expenditures, and the property was written down to zero as management had no future plans for the project.

**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 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.

The Company entered into an agreement with BonTerra on March 30, 2017, to option up to 100% of the property. During the year ended July 31, 2018, the Company booked a cost recovery of \$ 897,433 (July 31, 2017 - \$779,055) due to the Option agreement with BonTerra Resources Inc. ("BonTerra").

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**5. Exploration and Evaluation Assets (continued)**

**Trove, Quebec claims (continued)**

To earn a 100% interest in the Trove Property BonTerra had to 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 (received);
- 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.

The BonTerra Resources option on the Trove Property in Windfall lake was terminated on October 11, 2018 leaving Durango with 100% ownership of the claims.

**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). During the year ended July 31, 2018 the Company incurred \$76,557 in exploration expenditures for a till sampling and mapping program. Additional claims were acquired in the area for a deemed cost of \$27,500, (500,000 common shares). During the period ended October 31, 2018 \$54,598 in exploration expenditures were completed on the property.

**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, 2018 the Company incurred \$498,667 (2017 - \$21,547) in exploration expenditures on drilling a portion of the property. During the period ended October 31, 2018 \$104,803 was spent on exploration on the property.

**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, 2018, \$600 (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. The Company decided to focus on a portion of the claims; accordingly wrote off a portion of the

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capitalized cost in the year ended July 31, 2018. No exploration expenditures were expended during the period ended October 31, 2018.

**6. Share Capital**

Authorized: Unlimited number of common shares without par value

- a. During the period ended October 31, 2018, the Company issued 500,000 common shares for property in the Windfall Lake area of Quebec adjoining the East (Barry Lake) claims for a deemed price of \$27,500.
- b. During the year ended July 31, 2018, the Company had no share capital transactions.
- 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 are estimated on the date of grant using the Black-Scholes option valuation model with the following assumptions:

<b>October 31, 2018</b>	<b>Weighted Average</b>
Estimated life	3 years
Share price at date of grant	\$0.055
Option exercise price	\$0.06
Risk-free interest rate	1.2%
Estimated annual volatility	100%
Option fair value	\$0.028
Fair value	\$18,200

<b>July 31, 2018</b>	<b>Weighted Average</b>
Estimated life	2.26 years
Share price at date of grant	\$0.08
Option exercise price	\$0.10
Risk-free interest rate	1.84%
Estimated annual volatility	100%
Option fair value	\$0.04
Fair value	\$54,000

<b>July 31, 2017</b>	
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
Fair value	\$44,250

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**6. Share Capital (continued)**

c. Stock options (continued)

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

**Stock Options Outstanding**

	Number of Shares	Weighted Average Exercise Price
<b>Outstanding and Exercisable, July 31, 2017</b>	<b>2,500,000</b>	<b>0.11</b>
Expired/Cancelled	(1,050,000)	0.10
Granted	1,350,000	0.10
<b>Outstanding and Exercisable, July 31, 2018</b>	<b>2,800,000</b>	<b>\$ 0.11</b>
Granted	650,000	0.06
<b>Outstanding and Exercisable, October 31, 2018</b>	<b>3,450,000</b>	<b>\$ 0.10</b>

A summary of the Company's options outstanding and exercisable at October 31, 2018 is as follows:

Number of options outstanding	Number of options exercisable	\$ per share	Expiry date
700,000	700,000	\$ 0.15	May 8, 2019
300,000	300,000	\$0.075	February 7, 2020
850,000	700,000	\$ 0.10	February 18, 2020
750,000	750,000	\$ 0.10	May 17, 2020
200,000	200,000	\$ 0.10	June 25, 2021
650,000	650,000	\$ 0.06	September 18, 2021
<b>3,450,000</b>	<b>3,300,000</b>	<b>\$ 0.10</b>	

d. Warrants

**Warrants Outstanding**

	Number of Warrants	Weighted Average Exercise Price
<b>Outstanding July 31, 2016</b>	<b>5,085,000</b>	<b>\$ 0.18</b>
Issued	5,125,152	0.10
Exercised	(2,230,000)	0.14
Expired	(1,650,000)	0.13
<b>Outstanding July 31, 2017</b>	<b>6,330,152</b>	<b>0.14</b>
Expired	(1,325,000)	0.30
<b>Outstanding July 31, 2018</b>	<b>5,005,152</b>	<b>\$ 0.10</b>
<b>Outstanding October 31 2018</b>	<b>5,005,152</b>	<b>\$ 0.10</b>

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**6. Share Capital (continued)**

d. Warrants (continued)

A summary of the Company's warrants outstanding and exercisable at October 31, 2018 is as follows:

Number of warrants outstanding	\$ per share	Expiry date
2,823,485	\$ 0.10	June 7, 2019
1,066,667	\$ 0.10	June 9, 2019
1,115,000	\$ 0.10	June 20, 2019
<b>5,005,152</b>	<b>\$ 0.10</b>	

**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 period ended October 31, 2018. 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

<b>For the period ended October 31,</b>	<b>2018</b>	<b>2017</b>
Consulting fees with a company controlled by the President of the Company	\$ 30,000	\$ 31,025
Share based payments to directors	7,000	-
Rental fees with a company with a common director of the Company	2,625	2,625
Director's Fees	4,000	4,000
	<b>\$ 43,625</b>	<b>\$ 37,650</b>

As at October 31, 2018 and 2017, amounts due to related parties \$9,000 (2017 - \$4,000) were owed to the CEO, CFO and directors of the Company. The amounts due are non-interest bearing, unsecured, and due on demand.

**9. Non-cash Financing and Investing Transactions**

	Period ended October 31,	
	2018	2017
Non-cash investing and financing activities		
Fair value of options and warrants issued	\$ -	\$ 16,686
Common shares issued to settle debt	\$ -	\$ 9,591
Common shares issued for exploration and evaluation	\$ 27,500	\$ 187,000
Fair value of marketable securities received as option payments	\$ -	\$ 630,000

**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.

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## 11. 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 October 31, 2018 the Company was holding current assets of \$676,618 to satisfy current liabilities of \$131,774. 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.

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.

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**11. Financial Instruments (continued)**

October 31, 2018	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ 504,000	\$ -	\$ -	\$ 504,000

July 31, 2018	Level 1	Level 2	Level 3	Total
Marketable Securities	\$576,000	\$ -	\$ -	\$ 576,000

**12. Subsequent Events**

On December 5<sup>th</sup>, 2018 the Company announced the appointment of Ms. Joanne Freeze, P. Geo, to the Board of Directors and the issuance of 200,000 options at an exercise price of \$0.07 for a period of three years from the date of grant.

On December 13<sup>th</sup>, 2018, the Company announced the appointment of Mrs. Melanie MacKay, P. Geo, to the Board of Directors and the issuance of 200,000 options at an exercise price of \$0.07 for a period of three years from the date of grant.