

DURANGO RESOURCES INC.
(An Exploration Company)
FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2019
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Durango Resources Inc.

Opinion

We have audited the financial statements of Durango Resources Inc. ("the Company"), which comprise the statements of financial position as at July 31, 2019 and July 31, 2018 and the statements of comprehensive income (loss), changes in equity and cash flow for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and July 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
November 28, 2019**

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

	July 31, 2019	Jul 31, 2018
Assets		
Current		
Cash	\$ 324,854	\$ 456,411
Amounts receivable	25,819	90,185
Marketable securities (Note 4)	-	576,000
	350,673	1,122,596
Exploration and evaluation assets (Note 5)	412,743	1,960,762
Reclamation bond	20,000	10,000
Total assets	\$ 783,416	\$ 3,093,358
Liabilities and Shareholders' Equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 89,595	\$ 227,694
Due to related parties (Note 8)	22,873	50,230
Flow-through premium (Notes 6 and 10)	30,000	-
	142,468	277,924
Shareholders' equity		
Share capital (Note 6)	7,244,350	6,966,543
Contributed surplus (Note 6)	693,373	634,698
Accumulated other comprehensive loss	-	(216,000)
Deficit	(7,296,775)	(4,569,807)
	640,948	2,815,434
Total liabilities and shareholders' equity	\$ 783,416	\$ 3,093,358

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

Approved and authorized by the Board on November 28, 2019.

"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)

	Year ended July 31,	
	2019	2018
Administrative expenses		
Business Consultants (Note 8)	\$ 209,703	\$ 171,074
Directors' Fees (Note 8)	20,000	16,000
Internet and Website	5,270	53,728
Investor Relations & Conferences	40,677	160,861
Listing and Transfer Agent Fees	31,572	53,140
Meals	1,959	5,462
Office & Miscellaneous	29,400	13,943
Professional Fees (Note 8)	44,201	40,815
Rent (Note 8)	10,500	15,013
Share-based Payments (Notes 6 and 8)	58,675	44,500
Travel	4,815	23,733
Loss before other items	<u>(456,772)</u>	<u>(598,269)</u>
Other Items		
Expense Recovery in Excess of Costs (Note 5)	-	897,433
Write off of Exploration and Evaluation Assets (Note 5)	(1,901,989)	(475,090)
Realized Gain (Loss) on investments	(152,207)	157,832
	<u>(2,054,196)</u>	<u>580,175</u>
Net income (loss) for the year	<u>(2,510,968)</u>	<u>(18,094)</u>
Other comprehensive loss		
Unrealized Loss on investments,	-	(396,332)
Reclassification on disposition of investments	-	157,832
	<u>-</u>	<u>(238,500)</u>
Total comprehensive income (loss)	\$ <u>(2,510,968)</u>	\$ <u>(256,594)</u>
Basic and diluted earnings (loss) per share	\$ (0.06)	\$ (0.00)
Weighted average number of shares outstanding - Basic	39,014,093	37,766,019
Weighted average number of shares outstanding - Diluted	39,014,093	37,766,019

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,	
	2019	2018
Cash provided by (used in)		
Operating activities		
Net gain (loss) for the year	\$ (2,510,968)	\$ (18,094)
Items not affecting cash		
Write off of exploration and evaluation assets	1,901,989	475,090
Share-based payments	58,675	44,500
Expense recovery in excess of costs	-	(897,433)
Realized (gain) loss on investments	152,207	(157,832)
	(398,097)	(553,769)
Changes in non-cash working capital balances		
Amounts receivable	64,366	(84,878)
Due to related parties	(27,357)	47,230
Accounts payable and accrued liabilities	24,591	5,006
	(336,497)	(586,411)
Investing activities		
Exploration and evaluation costs	(489,160)	(658,291)
Payment for reclamation bond	(10,000)	-
Cash received for option payment	-	150,000
Proceeds from marketable securities	423,793	745,832
	(75,367)	237,541
Financing activities		
Proceeds from issuance of common shares	280,307	-
	280,307	-
Increase (decrease) in cash	(131,557)	(348,870)
Cash, beginning of year	456,411	805,281
Cash, end of year	\$ 324,854	\$ 456,411
Supplemental cash flow information (Note 9)		
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				
Balance, July 31, 2017	37,766,019	\$ 6,966,543	\$ 590,198	\$ 22,500	\$ (4,551,713)	\$ 3,027,528
Share-based payments	-	-	44,500	-	-	44,500
Other comprehensive loss	-	-	-	(238,500)	-	(238,500)
Net income (loss) for the year	-	-	-	-	(18,094)	(18,094)
Balance, July 31, 2018	37,766,019	6,966,543	634,698	(216,000)	(4,569,807)	2,815,434
Impact of adopting IFRS 9 on August 1, 2018	-	-	-	216,000	(216,000)	-
Balance, August 1, 2018	37,766,019	6,966,543	634,698	-	(4,785,807)	2,815,434
Shares issued for exploration and evaluation assets	500,000	27,500	-	-	-	27,500
Shares issued for flow-through private placement	2,002,222	180,200	-	-	-	180,200
Shares issued for non flow-through private placement	1,334,759	100,107	-	-	-	100,107
Flow-through premium	-	(30,000)	-	-	-	(30,000)
Share-based payments	-	-	58,675	-	-	58,675
Net income (loss) for the year	-	-	-	-	(2,510,968)	(2,510,968)
Balance, July 31, 2019	41,603,000	\$ 7,244,350	\$ 693,373	\$ -	\$ (7,296,775)	\$ 640,948

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, 2019

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, 2019, 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, 2019, the Company has not recognized revenue, has working capital of \$208,205 (2018 – \$844,672), has accumulated operating losses of \$7,296,775 (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, 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, 2019

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, 2019 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, 2019

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, 2019

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, 2019

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.
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NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2019

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 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 2019.

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, 2019

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 behavioral 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)
For the Year Ended July 31, 2019

3. Significant Accounting Policies (continued)

Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

From August 1, 2018, the Company assesses on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For accounts receivable, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition

The Company derecognizes a financial asset only when the contractual rights to the cash flows for the asset expire, or when it transfers the final asset and substantially all the risks and rewards of ownership to another entity.

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled, or they expire.

Durango Resources Inc.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Year Ended July 31, 2019

3. Significant Accounting Policies (continued)

New and amended accounting pronouncements

IFRS 9 Financial Instruments

The Company adopted, retrospectively without restatement, all of the requirements of IFRS 9: Financial Instruments ("IFRS 9") as of August 1, 2018. This standard replaces the guidance in IAS 39: Financial Instruments: Recognition and Measurements ("IAS 39"). The adoption of IFRS 9 did not impact the carrying value of any of the Company's financial assets or financial liabilities on the transition date. The impact on the classification and measurement of its financial instruments is set out below.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities. All financial assets not classified at amortized cost or FVTOCI are measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

IFRS 9 introduced a single expected credit loss impairment model for financial assets measured at amortized cost and for debt instruments at FVTOCI, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

The requirements of IAS 39 for classification and measurements of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

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3. Significant Accounting Policies (continued)

New and amended accounting pronouncements (continued)

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification (measurement) IAS 39	New classification and measurement IFRS 9
Cash, Amounts receivable, Reclamation bond	Loans and receivables (amortized cost)	Amortized cost
Marketable securities	Available-for-sale (Fair value through other comprehensive income)	FVTPL
Accounts payable and accrued liabilities, due to related parties	Other financial liabilities (amortized cost)	Amortized cost

The Company did not restate comparative periods as it recognized the retrospective impact of the adoption of IFRS 9 as an adjustment to the opening components of equity as at August 1, 2018.

For marketable securities, the Company made an irrevocable election to recognize changes in fair value through profit or loss rather than other comprehensive income. As a result of this change, the Company reclassified \$216,000 of fair value adjustment recognized in prior years on marketable securities held by the Company as at August 1, 2018 from accumulated other comprehensive loss to deficit on August 1, 2018.

The adoption of the following accounting standards had no significant impact on the consolidated financial statements. These standards are:

IFRS 15 – Revenue from Contracts with Customers
 Amendments to IFRS 2 – Share-based Payments

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 does not expect any impact on adoption:

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.

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4. Marketable Securities

	Number of shares	Amount
July 31, 2017	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)
July 31, 2018	1,600,000	576,000
Share Consolidation	(1,440,000)	-
Sold for proceeds	(160,000)	(423,793)
Loss on disposal	-	(152,207)
July 31, 2019	-	\$ -

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. On November 6, 2018, Bonterra Resources Inc. consolidated its common shares on a one new share for ten old shares basis. Each holder of common shares of Bonterra Resources Inc. at the close of business September 21, 2018 received one common share of Gatling Exploration Inc. for each seven common shares the Company held as a result of the Spin-Out of Larder Lake Assets. During the year ended July 31, 2019 the Company received 228,571 shares of Gatling. All Bonterra and Gatling shares were disposed of during the year resulting in a realized loss of \$152,207.

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5. Exploration and Evaluation Assets

	Mayner's	Kumealon	Industrial	GT Claims	Dianna	Whitney	Windfall				Nemaska	Other	Total
	Fortune	Inlet	Minerals		Lake	NW/Boss	Trove	Lake	Buckshot	Decouverte	Claims		
	BC				Sask	Ontario	Quebec						
Balance, July 31, 2017	\$ 86,871	\$ -	\$ 103,275	\$ -	\$ 207,149	\$ 196,959	\$ -	\$ 105,286	\$ 1,992	\$ 770,358	\$ 145,548	\$ -	\$ 1,617,438
Acquisition costs													
Cash payments	-	284	1,907	15,000	-	70,000	2,567	27,500	-	-	-	1,199	118,457
Shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Current year additions	-	284	1,907	15,000	-	70,000	2,567	27,500	-	-	-	1,199	118,457
Deferred exploration costs													
Assay & Exploration	7,187	-	-	30,810	46,150	9,474	-	76,557	-	427,930	-	-	598,108
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	-	498,667	600	-	717,545
Tax credit and cost recovery							(2,567)			(15,021)			(17,588)
Write-off of costs	-	(284)	(105,182)	-	-	(276,433)	-	-	(1,992)	-	(90,000)	(1,199)	(475,090)
Balance, July 31, 2018	98,358	-	-	55,610	287,299	-	-	209,343	-	1,254,004	56,148	-	1,960,762
Acquisition costs													
Cash payments	2,000	-	-	-	-	-	-	13,809	-	9,316	1,501	-	26,626
Shares issued	-	-	-	-	-	-	-	27,500	-	-	-	-	27,500
Current year additions	2,000	-	-	-	-	-	-	41,309	-	9,316	1,501	-	54,126
Deferred exploration costs													
Assay & Exploration	10,274	-	-	-	266	-	230,653	-	-	64,881	-	-	306,074
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Current year additions	10,274	-	-	-	266	-	230,653	-	-	64,881	-	-	306,074
Tax credit and cost recovery	-	-	-	(6,230)	-	-	-	-	-	-	-	-	(6,230)
Write-off of costs	-	-	-	(49,380)	(287,565)	-	-	(236,843)	-	(1,328,201)	-	-	(1,901,989)
Balance, July 31, 2019	\$ 110,632	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,653	\$ 13,809	\$ -	\$ -	\$ 57,649	\$ -	\$ 412,743

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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, 2019, the Company incurred \$10,274 in exploration expenditures.

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, 2019, the property was written down to zero as management had no future plans for the project.

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 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. During the year ended July 31, 2018, the Company booked a cost recovery of \$ 897,433 due to an option agreement which was signed with BonTerra Resources Inc. ("BonTerra").

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5. Exploration and Evaluation Assets (continued)

Trove, Quebec claims (continued)

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 (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. During the year ended July 31, 2019, \$230,653 in exploration expenditures were completed on the property.

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). The Company decided to focus on a portion of the claims; accordingly wrote off a portion of the capitalized cost in the year ended July 31, 2019.

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 in exploration expenditures on drilling a portion of the property. During the year ended July 31, 2019, the property was written down to zero as management had no future plans for the project.

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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, 2018, \$600 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 capitalized cost in the year ended July 31, 2018.

6. Share Capital

Authorized: Unlimited number of common shares without par value

a. During the year ended July 31, 2019, the Company:

- a. Issued 500,000 common shares for property in the Windfall Lake area of Quebec adjoining the East (Barry Lake) claims for a fair value of \$27,500.
- b. Completed a non-brokered private placement and issued flow-through units at a price of \$0.09 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.15 for a period of twelve months from the closing date. The first tranche of 2,002,222 units closed on March 29, 2019 for gross proceeds of \$180,200. 145,911 agent's warrants were granted and a flow-through premium of \$30,000 was recognized upon the issuance.
- c. Completed a non-brokered private placement and issued non flow-through units at a price of \$0.075 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.125 for a period of three years from the closing date. The first tranche of 401,666 units closed on March 29, 2019 for gross proceeds of \$30,125. The second tranche of 933,093 units closed on July 23, 2019 for gross proceeds of \$69,982.

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 during the year ended July 31, 2019, was estimated on the date of grant using the Black-Scholes option valuation model with the following assumptions:

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6. Share Capital (continued)

c. Stock options (continued)

July 31, 2019	Weighted Average
Estimated life	3 years
Share price at date of grant	\$0.06
Option exercise price	\$0.07
Risk-free interest rate	2.11%
Estimated annual volatility	100%
Option fair value	\$0.04
Fair value	\$51,000

July 31, 2018	
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

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
Outstanding July 31, 2017	2,500,000	\$ 0.11
Expired/Cancelled	(1,050,000)	0.10
Granted	1,350,000	0.10
Outstanding July 31, 2018	2,800,000	0.11
Expired/Cancelled	(1,100,000)	0.13
Granted	1,450,000	0.07
Outstanding July 31, 2019	3,150,000	\$ 0.08

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6. Share Capital (continued)

c. Stock options (continued)

A summary of the Company's options outstanding and exercisable at July 31, 2019 is as follows:

Number of options outstanding	Number of options exercisable	\$ per share	Expiry date
200,000	200,000	\$0.075	February 7, 2020
750,000	750,000	\$0.10	February 18, 2020
550,000	550,000	\$0.10	May 17, 2020
200,000	200,000	\$0.10	June 25, 2021
650,000	587,000	\$0.06	September 17, 2021
600,000	600,000	\$0.07	December 4, 2021
200,000	200,000	\$0.07	December 12, 2021
3,150,000	3,087,000	\$0.08	1.46 years

d. Warrants

Warrants Outstanding

	Number of Warrants	Weighted Average Exercise Price
Outstanding July 31, 2017	6,330,152	\$ 0.14
Expired	(1,325,000)	0.30
Outstanding July 31, 2018	5,005,152	0.10
Issued	3,482,892	0.14
Outstanding July 31, 2019	8,488,044	\$ 0.12

On April 15, 2019 the Company received approval from the TSX Venture to extend the expiry dates of existing warrants that had respective expiry dates of June 7, 9, and 20, 2019 by two years to June 7, 9, and 20, 2021. The \$0.10 exercise price and all other terms of the 2017 warrants will remain unchanged for the extended exercise period.

A summary of the Company's warrants outstanding and exercisable at July 31, 2019 is as follows:

Number of warrants outstanding	\$ per share	Expiry date
2,823,485	\$0.100	June 7, 2021
1,066,667	\$0.100	June 9, 2021
1,115,000	\$0.100	June 20, 2021
2,148,133	\$0.150	March 28, 2020
401,666	\$0.125	March 29, 2022
933,093	\$0.125	July 22, 2022
8,488,044	\$0.120	

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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, 2019. The Company is not subject to externally imposed capital requirements.

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,	2019	2018
Consulting fees with a company controlled by the President of the Company	\$ 120,000	\$ 123,085
Share based payments to directors	39,308	16,958
Rental fees with a company with a common director of the Company	10,500	14,000
Director's and accounting fees	36,000	16,000
	\$ 205,808	\$ 170,043

As at July 31, 2019 and 2018, amounts due to related parties \$22,873 (2018 - \$50,230) were owed to the CEO, CFO and directors of the Company. The amounts due are non-interest bearing, unsecured, and due on demand.

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9. Non-cash Financing and Investing Transactions

	2019	2018
Common shares issued for exploration and evaluation	\$ 27,500	\$ -
Accounts payable included in exploration and evaluation assets	\$ -	\$ 162,690
Fair value of marketable securities received as option payments	\$ -	\$ 750,000

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 a consulting agreement on December 5, 2018 with the CFO of the company that includes change of control clause. In the case of a change of control, the officer is entitled to an amount equal to twelve times the monthly cash payment. As at July 31, 2019, the monthly cash payment under the agreement is \$2,000 per month.

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

On March 29, 2019 the Company issued a total of 2,002,222 flow through units pursuant to a non-brokered private placement for gross proceeds of \$180,200. The Company is committed to incur a total of \$180,200 of qualifying Canadian Exploration Expenses ("CEE") on or before March 29, 2021, as prescribed under the Income Tax Act of Canada. During the year ended July 31, 2019, the Company incurred around \$14,234 of CEE. At July 31, 2019, the Company has remaining unspent flow-through commitment of \$165,966.

11. Income Taxes

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

	2019	2018
Net income (loss) for the year before income tax	\$ (2,510,968)	\$ (18,094)
Combined federal and provincial tax rate	27.00%	26.58%
Expected income tax expense (recovery) at statutory rates	(677,961)	(4,810)
Non-deductible items for tax purposes	36,655	12,556
Effect of tax rate change	-	(35,808)
Change in unrecognized deferred tax benefits	641,306	28,062
Deferred income taxes expense (recovery)	\$ -	\$ -

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11. Income Taxes (continued)

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

	<u>July 31, 2019</u>	<u>July 31, 2018</u>
Deferred income tax assets (liabilities)		
Share issue costs and others	\$ 1,000	\$ 1,000
Capital losses	50,000	3,000
Non-capital losses	1,131,000	999,000
Resource pool	410,000	(38,000)
Marketable securities	-	29,000
	<u>1,592,000</u>	<u>994,000</u>
Tax benefits not recognized	(1,592,000)	(994,000)
Net deferred income tax assets	<u>\$ -</u>	<u>\$ -</u>

As of July 31, 2019, the Company has available non-capital losses of approximately \$4,188,000 (July 31, 2018 - \$3,698,000) 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:

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
2038	486,000
2039	399,000
	<u>\$ 4,188,000</u>

The Company has available mineral resource related expenditure pools totaling approximately \$1,931,000 which may be deducted against future taxable income on a discretionary basis.

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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, 2019 the Company was holding cash of \$324,854 to satisfy accounts payable and due to related parties of \$112,468. 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.

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12. Financial Instruments (continued)

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, 2019	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ -	\$ -	\$ -	\$ -

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