

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2019

1. Date of Report: December 27, 2019

2. Overall Performance

Nature of Business

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’s business is the exploration of precious and base mineral resource properties within Canada. Accumulated operating losses for the Company to date total \$7,395,278 (July 31, 2018 – \$7,296,775). At October 31, 2019, the Company is considered an exploration stage company. The head office and principal address of the Company is 248-515 West Pender Street, Vancouver, BC V6B 6H5.

3. Results of Operations

The Company is in the mineral exploration business and has no revenues. To date, the funding of the Company’s exploration activities has been provided by private and public equity offerings of its shares.

Business consultant expenses incurred during the period ended October 31, 2019 were \$69,780 as compared to \$38,000 for the period ended October 31, 2018. This increase related to consulting fees paid for website changes, rebranding and marketing. Listing and transfer agent fees were nil for the period ended October 31, 2019 compared with \$15,072 for the same period in 2018. Share based payments of \$12,075 were incurred in the period ended October 31, 2018 due to the issuance of options to directors and consultants.

Current assets are \$259,085 as at October 31, 2019, compared to \$350,673 as at July 31, 2019. Total liabilities are \$151,164 compared with \$142,468 as at the July 31, 2019.

Selected Annual Information

| | 2019 | 2018 | 2017 |
|---|-------------|-------------|-------------|
| Net revenues | \$ - | \$ - | \$ - |
| Net income (loss) | (2,510,968) | (18,094) | 419,428 |
| Total comprehensive income (loss) | (2,510,968) | (256,594) | 441,928 |
| Earnings (loss) per share – basic and diluted | \$(0.06) | \$ 0.00 | \$ 0.01 |
| Total assets | 783,416 | 3,093,358 | 3,090,526 |
| Total current liabilities | 142,468 | 277,924 | 62,998 |
| Cash dividends | \$ - | \$ - | \$ - |

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EXPLORATION PROPERTIES

General

The Qualified Person(s) responsible for the technical aspects of this Management Discussion and Analysis (MD&A) are Case Lewis, P.Geol., a former consultant with the Company and also George Yordanov, P.Geol., a current consultant with the Company.

Mayner's Fortune claims, British Columbia

On July 29th, 2015, the Company entered into an agreement for the acquisition of the Mayner's Fortune limestone property situated in northwestern British Columbia. The property is located in the Skeena Mining Division approximately 7.5km southwest of Terrace, BC and 4km west of Lakelse Lake on the Lakelse River. Consideration was the issuance of 1,400,000 common shares to two arm's length vendors (issued). Finder's fees of 125,000 common shares were issued in relation to this transaction to an arm's length party. During the year ended July 31, 2019 \$10,274 (July 31, 2018, \$11,487) in exploration expenditures were expended on the property. An application for a bulk tonnage permit was submitted to the BC Provincial government in 2018 and permitting was received during the year ending July 31, 2019.

Dianna Lake Silver claims, Saskatchewan

Durango entered in an agreement to acquire 100% of the Dianna Lake Silver project located 17km northwest of Uranium City, Saskatchewan. The property consists of 131 hectares and was purchased for \$150,000 to an arm's length vendor (paid). An additional \$150,000 will be payable pursuant to the agreement 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, \$80,150 in exploration expenditures were expended on the property. During the year ended July 31, 2019, the property was written down to zero.

Trove claims, Quebec

On August 25th, 2010, the Company signed an agreement for the acquisition of the Trove Property situated in Quebec. Consideration included a \$12,000 cash payment on TSX approval (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 and TSX approval was received on this transaction.

On November 21, 2011, the Company reported via www.sedar.com the completion of its summer program which included geological mapping and sampling, magnetometer and VLF – EM surveys, and detailed humus grid sampling. Forty nine outcrops were mapped and identified with 19 rock samples sent to analysis where they underwent 59 element ultra-trace ICP analysis. A 26-line kilometer grid with 200-meter line spacing was established for the detailed humus sampling and magnetic and VLF-EM survey. A total of 1046 samples were taken at 25-meter stations using a soil auger, which were sent for 59 element ultra-trace ICP analysis. One sample, at L2+00/S7+75S, gave a highly anomalous gold value of 171 ppb Au. The VLF-EM survey identified four distinctive conductors all trending southwest to northeast. During the year ended July 31, 2018, the Company received 150,000 in option payments and \$743,265 in proceeds from marketable securities due to the option agreement. The Company booked a cost recovery in 2017 of \$354,492 due to the option agreement which was signed with BonTerra Resources Inc.

EXPLORATION PROPERTIES (continued)

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Trove claims, Quebec (continued)

The Company entered into an agreement with BonTerra Resources as announced on www.sedar.com 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 oz 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. During the period ended October 31, 2019 the Company was issued a permit to drill on the Trove claims.

Decouverte claims, Quebec

On November 10, 2010, the Company announced 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 TSX approval received on November 29, 2010. The property is owned 100% by the Company. A news release was issued on November 24, 2011 via www.sedar.com which reported the completion of the 439-line kilometers, with flight lines flown east-west at 100m intervals. The Company hired a professional geophysicist to undertake a detailed interpretation of the survey data with seven areas of interest identified. The geology as mapped indicated a southwest to northeast trend while the airborne survey showed a strong geophysical magnetic anomaly over a 500 x 1000-meter area perpendicular to the geology. Durango received a grant from the Institut National de la Recherche Scientifique (INRS) of Quebec to conduct deep geophysical surveys on the property. The INRS work commenced during the year ended July 31, 2017 and 2016 and consisted of \$21,547 (2016 - \$17,897) in exploration expenditures. During the period ended July 31, 2018, \$498,667 in exploration expenditures were expended on the property. During the year ended July 31, 2019, the property was written down to zero.

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EXPLORATION PROPERTIES (continued)

Nemaska claims/NMX East, Quebec

During the year ended July 31, 2015, the Company staked 353 hectares directly adjoining the Nemaska Lithium Inc.'s Whabouchi lithium deposit in northern Quebec. The NMX East property has all season road access via the Route Nord and is located within a few kilometres of Nemaska Lithium Inc.'s proposed Whabouchi mining pit. During the year-ended July 31, 2017, \$46,452 was spent on exploration for the NMX East and the surrounding Nemaska properties in relation to the completion of a phase I exploration program which entailed mapping and sampling of the lithium bearing pegmatites. During the year ended July 31, 2018 the Company wrote down \$90,000 in expenditures as it decided to focus on the essential claims only for 2019.

Golden Triangle (GT) claims, British Columbia

In September 2017, the Company acquired fractional claims and claim blocks northern BC totaling 2,500 hectares for \$15,000 (paid). During the year ended July 31, 2018, \$40,610 in exploration expenditures were expended on 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.

4. Summary of Quarterly Results

| | 31-Oct Fiscal 2020 | 31-Jul | 30-Apr | 31-Jan | 31-Oct | 31-Jul | 30-Apr | 31-Jan |
|-----------------------|-----------------------|-------------|-----------|-----------|-----------|-------------|---------|---------|
| | | Fiscal 2019 | | | | Fiscal 2018 | | |
| Revenues | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net gain (loss) | (98,503) | (1,963,816) | (234,514) | (160,766) | (152,502) | (695,790) | 707,426 | 4,091 |
| Gain (loss) per share | \$ (0.00) | \$ (0.05) | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.02) | \$ 0.02 | \$ 0.00 |

Administrative expenses for the period ended October 31, 2019 were \$98,503, compared to \$80,502 in the prior period ended October 31, 2018. Costs for investor relations and conferences for the period ended October 31, 2019 were nil compared to \$15,072 for the same period in 2018. Losses in the 8 quarters above remain consistent with an exploration stage company however the second and third quarters of 2018 incurred a realized gain on available for sale investments due to the Trove Property Option agreement and the fourth quarter incurred a loss on investment of \$396,332 for the same agreement. The fourth quarter of 2019 included a \$1,383,811 write down in exploration expenses on properties which were not substantively worked on during the year or downsized.

5. Liquidity

The ability of the Company to meet its obligations as they come due is mainly dependent on its ability to continue to fund operations through equity and/or debt financings. To further the exploration as planned in the 2019 year it may be necessary for Durango to raise money to fund operations. During the three months ended October 31, 2019 the Company did not complete any share transactions. 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 deemed price of \$27,500.

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5. Liquidity (continued)

- 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
- 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.

The Company did not complete any share transactions during the year ended July 31, 2018.

The Company has a cash balance of \$230,224 and GST/QST recoverable of \$28,861 and working capital of \$107,921 as at October 31, 2019.

6. Going Concern

The Company has sufficient working capital to meet its ongoing financial obligations for the next twelve months and fund its business plan. It may require additional funds from financing to continue its operations. While management of the Company believes that it will be able to generate funding through equity financing, there can be no guarantee that the Company will be successful in obtaining additional financing to continue operations beyond 2019.

7. Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed to as at October 31, 2019.

8. Transactions with Related Parties

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 October 31, | 2019 | 2018 |
|---|-----------|-----------|
| Consulting fees with a company controlled by the President of the Company | \$ 30,000 | \$30,000 |
| 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 | 5,000 | 4,000 |
| | \$ 37,625 | \$ 43,625 |

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8. Transactions with Related Parties (continued)

As at October 31, 2019, the unpaid balances to related parties amounted to \$40,325. The amounts due are non-interest bearing, unsecured, and due on demand.

9. Critical Accounting Estimates

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 the reported expenses during the period. Actual results could differ from these 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 if actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of the exploration and evaluation assets.
- ii) The estimated amounts of reclamation and environmental obligations.

10. Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these 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.

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10. Financial Instruments and Other Instruments (continued)

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 recognized 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.

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

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.

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.

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10. Financial Instruments and Other Instruments (cont.)

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, 2019 the Company was holding cash of \$230,224 to satisfy accounts payable and due to related parties of \$40,325. 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.

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.

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.

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.

| October 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|-----------------------|-----------|---------|---------|------------|
| Marketable Securities | \$ - | \$ - | \$ - | \$ - |
| October 31, 2018 | Level 1 | Level 2 | Level 3 | Total |
| Marketable Securities | \$504,000 | \$ - | \$ - | \$ 504,000 |

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11. Risks and Uncertainties

The Company is in the mineral exploration and development business and as such is exposed to many risks and uncertainties that are not uncommon to other companies in the same type of business. Some of the possible risks include the following:

- The industry is capital intensive and is subject to fluctuations in metal and commodity prices, market sentiment, foreign exchange and interest rates.
- The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production therein, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development.
- Any future equity financings by the Company for raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue its exploration and development activities in the future.
- There is no certainty that the properties which the Company has deferred as assets on its balance sheet will be realized at the amounts recorded.

Should one or more of these risks materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on its forward-looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

12. Other MD&A Requirements

Disclosure of Outstanding Share Data

Authorized Capital:

Unlimited common shares without par value

| | |
|----------------------------|-------------------|
| Issued Common Shares: | <u>Number</u> |
| Balance, July 31, 2019 | <u>41,603,000</u> |
| Balance, December 27, 2019 | <u>42,228,000</u> |

Commitments:

Options: 3,150,000 outstanding as at July 31, 2019 and 3,150,000 as at December 27, 2019.

Warrants: 8,488,044 outstanding as at July 31, 2019 and 9,113,044 as at December 27, 2019.

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12. Other MD&A Requirements (cont.)

As at December 27, 2019:

- a) 42,228,000 common shares were issued and outstanding
- b) Option balances are:
 - 200,000 exercisable at \$0.075 expiring February 7, 2020
 - 750,000 exercisable at \$0.10 expiring February 18, 2020
 - 550,000 exercisable at \$0.10 expiring May 17, 2020
 - 200,000 exercisable at \$0.10 expiring June 25, 2021
 - 650,000 exercisable at \$0.06 expiring September 17, 2021
 - 600,000 exercisable at \$0.07 expiring December 4, 2021
 - 200,000 exercisable at \$0.07 expiring December 12, 2021
- c) Warrant balances are:
 - 2,823,485 exercisable at \$0.10 expiring June 7, 2021
 - 1,066,667 exercisable at \$0.10 expiring June 9, 2021
 - 1,115,000 exercisable at \$0.10 expiring June 20, 2021
 - 2,148,133 exercisable at \$0.15 expiring March 29, 2020
 - 401,666 exercisable at \$0.125 expiring March 29, 2022
 - 933,093 exercisable at \$0.125 expiring July 22, 2022
 - 625,000 exercisable at \$0.125 expiring November 28, 2021

13. Corporate Governance

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

The current Board of Directors is comprised of five individuals, four of whom are neither an officer nor employee of the Company and are unrelated and independent from Management. The audit committee is comprised of three directors, two of whom are independent from management.

The audit committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited financial statements prior to their submission to the Board of Directors for approval. The audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

14. Subsequent Events

On November 28, 2019 the Company completed a non-brokered private placement and issued 625,000 BC flow through units at a price of \$0.08 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.125 until November 28, 2021.