

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

1. Date of Report: December 30, 2020

2. Overall Performance

Nature of Business

Durango Resources Inc. (the “Company” or “Durango”) was incorporated on August 21, 2006 under the Business Corporations Act of British Columbia and is listed on the TSX Venture Exchange (“TSXV”) 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 \$8,033,341 (July 31, 2020 – \$7,628,413). At October 31, 2020, 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 three-month period ended October 31, 2020 were \$327,857 as compared to \$69,780 for the period ended October 31, 2019. This increase in cost for business consultants in the current period over the prior year included \$154,000 in finders’ fees for the private placement and \$122,500 for corporate consulting, marketing and investor services. Listing and transfer agent fees were \$22,186 for the period ended October 31, 2020 compared with \$3,392 for the same period in 2019. Professional fees for the period were \$19,545, an increase of \$11,863 over the same period in 2019 in most part due to the fees for the completion of the year-end financial statements. Investor relations & conferences were \$14,034 in the current three-month period compared to nil in the same period of 2019.

Current assets are \$2,673,044 as at October 31, 2020, compared to \$492,790 as at July 31, 2020. Total liabilities are \$363,198 compared with \$285,968 as at the July 31, 2020.

Selected Annual Information

	2021	2019	2019
Net revenues	\$ -	\$ -	\$ -
Net income (loss)	(404,928)	(331,638)	(2,510,968)
Total comprehensive income (loss)	(404,928)	(331,638)	(2,510,968)
Earnings (loss) per share – basic and diluted	\$(0.00)	\$(0.01)	\$(0.06)
Total assets	3,580,268	958,528	783,416
Total current liabilities	363,198	285,968	142,468
Cash dividends	\$ -	\$ -	\$ -

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

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. There were no exploration expenditures incurred during the year ended July 31, 2020. During the year ended July 31, 2019, \$10,274 in exploration expenditures were incurred. A bulk tonnage permit was received by the BC Provincial government in 2019. The Company had plans to work on the property during the year ended July 31, 2020 which have been delayed due to Covid19 restrictions. Plans will continue for the project for the year ended July 31, 2021 as permitting and travel restrictions allow.

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 as management had no future plans for the project.

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.

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.

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, 2020, \$4,738 (2019 - \$230,653) in exploration expenditures were completed on the property. The Company is currently undergoing an exploration program on the Trove Property which includes mapping, trenching and drilling on previously identified geochemical and geophysical anomalies. During the period ended October 31, 2020, \$379,635 in exploration expenditures were completed on the properties.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

EXPLORATION PROPERTIES (continued)

Windfall Lake claims, Quebec

The Company staked groups of claims in the Windfall Lake gold camp which are 12,240 hectares in size and are in northern Quebec. One of the claim blocks in this group is the East Barry Property which is 7,740 hectares and located a few kilometres away from Durango's Trove Property. During the year ended July 31, 2018 the Company incurred \$76,557 in exploration expenditures for a till sampling and mapping program. During the year ended July 31, 2019, the Company decided to focus on a portion of the claims; accordingly wrote off portion of the capitalized cost. During the year ended July 31, 2020, \$119,896 in exploration expenditures were completed on the properties. The Company is currently undergoing an exploration program on the East Barry Block which includes mapping, geophysical and geochemical analysis. During the period ended October 31, 2020, \$61,851 in exploration expenditures were completed on the properties.

Decouverte claims, Quebec

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. During the period ended April 30, 2020, the claims were renewed and are in good standing until 2022. Management has plans to continue further exploration on the property during the 2021 year as travel and lodging permits due to Covid19.

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. No exploration was completed on the property during the year ended July 31, 2020, however management does plan to conduct a small exploration program on the property once travel restrictions are eased due to Covid19.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

4. Summary of Quarterly Results

	31-Oct Fiscal 2021	31-Jul	30-Apr	31-Jan	31-Oct	31-Jul	April 30, Fiscal 2019	31-Jan
		Fiscal 2020					Fiscal 2019	
Revenues	\$	-	\$	-	\$	-	\$	-
Net gain (loss)	\$ (404,928)	\$ (214,491)	\$ 91,889	\$ (108,665)	\$ (100,371)	\$ (1,963,186)	\$ (234,514)	\$ (160,766)
Gain (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.05)	\$ (0.00)	\$ (0.00)

Administrative expenses for the quarter ended October 31, 2020 were \$404,630, compared to \$98,503 in the prior period ended October 31, 2019. Costs for business consultants for the period ended October 31, 2020 were \$327,857 compared to \$69,780 for the same period in 2019. This increase includes costs of \$154,000 in finders' fees for the private placement and \$122,500 for corporate consulting, marketing and investor services. Investor relations and conferences were \$14,034 in the current period, compared to nil for the same period in 2019. The loss for the quarter ended October 31, 2020 was \$404,928. Losses in the 8 quarters above remain consistent with an exploration stage company. 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 2020 year it may be necessary for Durango to raise money to fund operations.

During the period ended October 31 the Company:

- i. Completed a non-brokered private placement and issued flow-through units at a price of \$0.1225 per unit. Each unit consisted of one common share and one-half share purchase warrant exercisable at \$0.15 for a period of three years, expiring August 13, 2023. 13,150,000 units were issued on August 14, 2020 for gross proceeds of \$1,610,875
- ii. 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-half share purchase warrant exercisable at \$0.15 for a period of three years, expiring August 13, 2023. 16,250,000 units were issued on August 14, 2020 for gross proceeds of \$1,218,750.
- iii. Issued 1,077,500 shares pursuant to several tranches of warrant exercises. 977,500 shares are related to warrant exercises at \$0.10 per share, 562,500 warrants at \$0.125 per share, and 100,000 warrants at \$0.08 per share for total proceeds of \$119,813.
- iv. Completed a grant of 3,000,000 stock options. Each stock option is exercisable at a price of \$0.125 for a period of five years from the grant date, expiring on September 9, 2025.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

5. Liquidity (continued)

b. During the year ended July 31, 2020, the Company:

- a. Completed a non-brokered private placement and issued 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 for a period of two years from the closing date. The purchase of 625,000 units closed on November 27, 2019 for gross proceeds of \$50,000. A flow-through premium of \$18,750 was recognized upon the issuance.
- b. Completed a non-brokered private placement and issued non flow-through units at a price of \$0.05 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.08 for a period of two years from the closing date. The purchase of 4,000,000 units closed on March 11, 2020 for gross proceeds of \$200,000.

The Company has a cash balance of \$2,584,181, GST/QST recoverable of \$88,863 and working capital of \$2,309,846 as at October 31, 2020.

6. Going Concern

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.

The Company's business, operations and financial condition could be materially and adversely affected by the outbreak of epidemics or pandemics or other health crises, including the recent outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada. The outbreak has caused companies and various governmental bodies to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend. Such public health crises can result in volatility and disruptions in the supply and demand for gold and other metals and minerals, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect mineral prices, interest rates, credit ratings, credit risk, share prices and inflation. The risks to the Company of such public health crises also include slowdowns or temporary suspensions of operations in locations impacted by an outbreak, interruptions to supply chains and supplies upon which the Company relies, restrictions that the Company and its contractors and subcontractors impose to ensure the safety of employees and others, increased labor costs, regulatory changes, political or economic instabilities or civil unrest.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

6. Going Concern (cont.)

At this point, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company's control; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition

7. Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed to as at October 31, 2020.

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

<u>For the period ended October 31,</u>	<u>2021</u>	<u>2020</u>
Consulting fees with a company controlled by the President of the Company	\$ 30,000	\$30,000
Rental fees with a company with a common director of the Company	2,625	2,625
Consulting fees with the CFO of the Company	6,000	6,000
Director's Fees	6,000	55,000
	<u>\$ 44,625</u>	<u>\$93,625</u>

As at October 31, 2020, the unpaid balances to related parties amounted to \$89,988. 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.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

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.

The following table shows the classification under IFRS 9:

Financial assets/liabilities	Classification and measurement
Cash, Amounts receivable, Reclamation bond	Amortized cost
Accounts payable and accrued liabilities, due to related parties	Amortized cost

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.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

10. Financial Instruments and Other Instruments (continued)

Impairment of financial assets at amortized cost

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.

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.

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, 2020 the Company was holding cash of \$2,584,181 to satisfy accounts payable and due to related parties of \$335,242. 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.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

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.

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.
- In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company's business or ability to raise funds.

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.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

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, October 31, 2020	<u>76,705,500</u>
Balance, December 30, 2020	<u>76,705,500</u>

Commitments:

Options: 7,050,000 outstanding as at Oct 31, 2020 and 7,050,000 as at December 30, 2020.

Warrants: 25,325,869 outstanding as at Oct 31, 2020 and 25,325,869 as at December 30, 2020.

As at December 30, 2020:

- a) 76,705,000 common shares were issued and outstanding
- b) Option balances are:
 - 200,000 exercisable at \$0.10 expiring June 25, 2021
 - 250,000 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
 - 1,600,000 exercisable at \$0.10 expiring February 19, 2025
 - 1,200,000 exercisable at \$0.10 expiring June 29, 2025
 - 3,000,000 exercisable at \$0.125 expiring September 9, 2025
- c) Warrant balances are:
 - 2,658,485 exercisable at \$0.10 expiring June 7, 2021
 - 816,667 exercisable at \$0.10 expiring June 9, 2021
 - 1,115,000 exercisable at \$0.10 expiring June 20, 2021
 - 401,666 exercisable at \$0.125 expiring March 29, 2022
 - 933,093 exercisable at \$0.125 expiring July 22, 2022
 - 62,500 exercisable at \$0.125 expiring November 28, 2021
 - 3,900,000 exercisable at \$0.08 expiring March 11, 2022
 - 15,438,458 exercisable at \$0.15 expiring August 13, 2023

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
PERIOD ENDED OCTOBER 31, 2020

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, three 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, three 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.