

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2020

1. Date of Report: November 27, 2020

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 \$7,628,413 (2019 - \$7,296,775). At July 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 year ended July 31, 2020 were \$182,164 as compared to \$209,703 for the period ended July 31, 2019. Investor relations and conferences were \$49,547 for the year ended July 31, 2020 compared to \$40,677 for the same period in 2019. Costs in 2020 were greater due to spend for a booth at the PDAC conference, registration for Capital Events conferences and internet awareness campaigns. Listing and transfer agent fees were \$38,374 compared with \$31,572 in 2019. There was an increase in professional fees of \$14,898 in the current year of the same period in the prior year due to the preparation and filing of tax returns in Quebec.

Current assets are \$492,790 as at July 31, 2020, compared to \$350,673 as at July 31, 2019. Total liabilities are \$285,968 as at July 31, 2020 compared with \$142,468 for the prior year.

Selected Annual Information

	2020	2019	2018
Net revenues	\$ -	\$ -	\$ -
Net income (loss)	(331,638)	(2,510,968)	(18,094)
Total comprehensive income (loss)	(331,638)	(2,510,968)	(256,594)
Earnings (loss) per share – basic and diluted	\$ (0.01)	\$ (0.06)	\$ (0.00)
Total assets	958,528	783,416	3,093,358
Total current liabilities	285,968	142,468	277,924
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) is George Yordanov, P.Geo., a 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 and 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.

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.

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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.

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.

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.

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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, however management has plans to continue further exploration on the property during the 2021 year as travel and lodging permits due to Covid19.

4. Summary of Quarterly Results

	31-Jul	30-Apr	31-Jan	31-Oct	31-Jul	April 30,	31-Jan	31-Oct
	Fiscal 2020				Fiscal 2019			
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net gain (loss)	(214,491)	91,889	(108,665)	(100,371)	(1,963,186)	(234,514)	(160,766)	(152,502)
Gain (loss) per share	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.05)	\$ (0.01)	\$ (0.00)	\$ (0.00)

Administrative expenses for the year ended July 31, 2020 were \$555,786, compared to \$456,772 in the prior year ended July 31, 2019. Costs for investor relations and conferences for the year ended July 31, 2020 were \$49,547 compared to \$40,677 for the same period in 2019. Costs in 2020 were greater due to spend for attendance of the PDAC conferences, registration for Capital Events conferences and internet awareness campaigns. Losses in the 8 quarters above remain consistent with an exploration stage company. The fourth quarter of 2019 included a write down of \$1,901,989 in exploration expenses on properties which were not substantively worked on during the year or downsized. The third quarter of 2020 included a recovery of \$184,919 due to tax credits received.

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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 2021 year it may be necessary for Durango to raise money to fund operations.

a. 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.

b. 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.

The Company has a cash balance of \$476,434 and GST/QST recoverable of \$16,356 and working capital of \$206,822 as at July 31, 2020.

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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 on 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.

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 July 31, 2020.

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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 July 31,	2020	2019
Consulting fees with a company controlled by the President of the Company	\$ 120,000	\$ 120,000
Share based payments to directors and officers	114,333	39,308
Rental fees with a company with a common director of the Company	10,500	10,500
Director's and Accounting fees	44,000	36,000
	\$ 288,833	\$ 205,808

As at July 31, 2020, the unpaid balances to related parties amounted to \$34,506 (2019 - \$22,873). 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.

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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.

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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 July 31, 2020 the Company was holding cash of \$476,434 to satisfy accounts payable and due to related parties of \$258,012. The Company plans to obtain cash inflows from share capital financings. There can be no guarantee that management's efforts to raise additional funds will be successful.

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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.

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.

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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, 2020	<u>46,228,000</u>
Balance, November 27, 2020	<u>76,705,500</u>

Commitments:

Options: 4,050,000 outstanding as at July 31, 2020 and 7,050,000 as at November 27, 2020.

Warrants: 10,549,911 outstanding as at July 31, 2020 and 25,325,869 as at November 27, 2020.

As at November 27, 2020:

- a) 76,705,500 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 28, 2025
 - 3,000,000 exercisable at \$0.125 expiring Sept 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 28, 2022
 - 933,093 exercisable at \$0.125 expiring July 22, 2022
 - 62,500 exercisable at \$0.125 expiring November 27, 2021
 - 3,900,000 exercisable at \$0.08 expiring March 11, 2022
 - 7,035,250 exercisable at \$0.15 expiring August 16, 2023
 - 8,403,208 exercisable at \$0.15 expiring August 18, 2023

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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

In August 2020, the Company completed a non-brokered private placement and issued 13,150,000 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 from the closing date.

In August 2020, the Company completed a non-brokered private placement and issued 16,250,000 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 from the closing date. Total finder's fee for the two private placements equal to \$153,650 and 738,458 broker warrants. Each broker warrant is exercisable at \$0.15 for a period of three years from the issuance date.

In August 2020, the Company issued 827,500 shares pursuant to several tranches of warrant exercises. 727,500 shares are related to warrant exercises of 165,000 warrants at \$0.10 per share and 562,500 warrants at \$0.125 per share for total proceeds of \$86,813. 100,000 shares are related to a warrant exercise of 100,000 warrants at \$0.08 per share for total proceeds of \$8,000.

In September 2020, the Company 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.

In September 2020, the Company issued 250,000 shares pursuant to a warrant exercise of 250,000 warrants at \$0.10 per share for total proceeds of \$25,000.