

**DURANGO RESOURCES INC.**  
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE  
PERIOD ENDED OCTOBER 31, 2021

1. This management's discussion and analysis ("MD&A") is provided to enable the reader to assess material changes in the financial condition and results of operations Durango Resources Inc. (the "Company" or "Durango ") for the three months ended October 31, 2021. This MD&A should be read in conjunction with the condensed consolidated interim financial statements of the Company for the three months ended October 31, 2021, and the condensed consolidated annual financial statements of the Company for the financial year ended July 31, 2021, prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements but does not form part of the Company's condensed consolidated interim financial statements.

This MD&A contains forward-looking statements. Statements regarding the adequacy of cash resources to carry out the Company's exploration programs or the need for future financing are forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language statement on page XX. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated. This MD&A has been prepared as of December 30, 2021.

## 2. Overall Performance

### *Nature of Business*

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 \$8,016,956 (July 31, 2021 – \$7,956,167). At October 31, 2021, the Company is considered an exploration stage company. The head office and principal address of the Company is PO Box 31880, Richmond, BC.

## 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, 2021 were \$30,000 compared to \$327,857 for the same period in 2021 as a result of additional consulting expenses incurred in relation to financing. There was a decrease in spend on investor relations and conference costs for the period ended October 31, 2021 over the same period in the prior year. Listing and transfer agent fees were \$150 compared with \$22,186 for the same period in 2020. Professional fees for the period were \$10,702, compared to \$19,545 the three-month period ended October 31, 2020.

Current assets were \$494,844 as at October 31, 2021, compared to \$527,918 as at July 31, 2021. Total liabilities were \$153,047 compared with \$97,955 as at the July 31, 2021.

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**Selected Annual Information**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net revenues	\$ -	\$ -	\$ -
Net income (loss)	(60,789)	(327,753)	(331,638)
Total comprehensive income (loss)	(60,789)	(327,753)	(331,638)
Earnings (loss) per share – basic and diluted	\$(0.00)	\$(0.00)	\$(0.01)
Total current assets	494,844	527,918	958,528
Total current liabilities	153,047	97,955	285,968
Cash dividends	\$ -	\$ -	\$ -

**EXPLORATION PROPERTIES**

**General**

The Qualified Person(s) responsible for the technical aspects of this Management Discussion and Analysis (MD&A) is George Yordanov, P.Ge., a consultant with the Company.

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

On July 29<sup>th</sup>, 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, 2021, \$9,691 in exploration expenditures were incurred (2020 – nil). In 2021, the Company applied for and was granted permits for drilling, blasting and removal of up to 10,000 tonnes of limestone from the property. During the period ended October 31, 2021, \$1,000 in exploration expenditures were completed on the properties.

**Trove claims, Quebec**

The Company has 100% ownership of the Trove property claims in the Windfall Lake area in Quebec. During the year ended July 31, 2021, \$939,874 (2020 - \$200,432) in exploration expenditures were completed on the property. The Company has just completed 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, 2021, \$588 in exploration expenditures were completed on the Trove property claims.

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**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 claims. During the year ended July 31, 2021, \$963,776 in exploration expenditures were completed on the properties (2020 - \$119,896). The Company is currently undergoing an exploration program on the East Barry Block which includes mapping, exploration drilling, geophysical and geochemical analysis. During the period ended October 31, 2021, \$9,938 in exploration expenditures were completed on the Windfall Lake claims.

**Decouverte claims, Quebec**

On November 10, 2010, the Company entered into an agreement for the acquisition of 100% interest in 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.

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**EXPLORATION PROPERTIES (continued)**

**Nemaska claims/NMX East, Quebec**

On November 10, 2010, the Company announced an agreement for the acquisition of 100% interest in 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. The property is owned 100% by the Company. A news release was issued on November 24, 2011 via [www.sedar.com](http://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, 2021, drill permit applications were obtained for exploration drilling on the middle portion of the property. During the period ended October 31, 2021, \$15,851 in exploration expenditures were completed on the properties.

**4. Summary of Quarterly Results**

	31-Oct Fiscal 2022	31-Jul	30-Apr	31-Jan	31-Oct	31-Jul	30-Apr	31-Jan
		Fiscal 2021				Fiscal 2020		
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net gain (loss)	\$ (60,789)	\$ 228,031	\$ (177,249)	\$ (128,044)	\$ (249,492)	\$ (214,491)	\$ 91,889	\$ (108,665)
Gain (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Administrative expenses for the quarter ended October 31, 2021 were \$60,789, compared to \$404,632 in the prior period ended October 31, 2020. Costs for business consultants for the period ended October 31, 2021 were \$30,000 compared to \$327,857 for the same period in 2020 as a result of additional consulting expenses incurred in relation to the financing. Expenses for investor relations and conferences were \$8,028 in the current period, compared to \$14,034 for the same period in 2020. Losses in the 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. The third quarter of 2020 included a recovery of \$184,919 due to tax credits received.

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### **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED OCTOBER 31, 2021**

#### **5. Liquidity and Capital Resources**

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. The Company has a cash balance of \$251,314, GST/QST recoverable of \$243,530 and working capital of \$341,797 as at October 31, 2021, enough to maintain corporate capacity and complete planned exploration activities.

To conduct the exploration as planned in the 2022 year it will be necessary for Durango to raise money through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to do so in the future. If the Company is unable to obtain the requisite amount of financing it will be required to continue to defer planned exploration activities and/or reduce corporate capacity and/or sell assets each of which would have a material adverse effect on its business and ability to continue as a going concern. The condensed consolidated interim financial statements for the three months ended October 31, 2021 do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a 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.

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.

#### **6. Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed to as at October 31, 2021.

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**7. 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

<b>For the period ended October 31,</b>	<b>2021</b>	<b>2020</b>
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
Consulting fees with the CFO of the Company	6,000	6,000
Director's Fees	4,000	6,000
	<u>\$40,000</u>	<u>\$44,625</u>

As at October 31, 2021 and 2020, amounts due to related parties were owed to the CEO, CFO and directors of the Company. The amounts due are non-interest bearing, unsecured, and due on demand.

**9. Critical Accounting Estimates**

The preparation 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 risks arising from exposure to interest rate, currency rate or commodity prices 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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**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, commodity price 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 and accordingly the Company has minimal credit risk.

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, 2021, the Company was holding cash of \$251,314 to satisfy accounts payable and due to related parties of \$137,931. 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.

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**10. Financial Instruments and Other Instruments (continued)**

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 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. The Company has no assurance that it will be successful in raising additional capital when it is required.
- 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 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 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.

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**12. Outstanding Share Data**

Authorized Capital:

Unlimited common shares without par value

Issued Common Shares:	<u>Number</u>
Balance, October 31, 2021	<u>76,705,500</u>
Balance, December 30, 2021	<u>76,705,500</u>

Commitments:

*Options:* 6,800,000 outstanding as at Oct 31, 2021 and 6,000,000 as at Dec 31, 2021.

*Warrants:* 20,673,217 outstanding as at Oct 31, 2021 and 20,673,317 as at Dec 31, 2021.

As at December 30, 2021:

- a) 76,705,000 common shares were issued and outstanding
- b) Option balances are:
  - 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
  - 200,000 exercisable at \$0.10 expiring January 18, 2026
- c) Warrant balances are:
  - 401,666 exercisable at \$0.125 expiring March 29, 2022
  - 933,093 exercisable at \$0.125 expiring July 22, 2022
  - 3,900,000 exercisable at \$0.08 expiring March 11, 2022
  - 7,035,250 exercisable at \$0.15 expiring August 13, 2023
  - 8,403,208 exercisable at \$0.15 expiring August 16, 2023

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, “possible” or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. , Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Important factors that could cause actual results to differ materially from the Company’s expectations include uncertainties relating to disputes; fluctuations in commodity prices and foreign currency exchange rates; uncertainties relating to interpretation of drill results and the geology; the need to obtain additional financing to develop properties and uncertainties as to the availability and terms of future financing; uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies and other factors such as those described above and discussed under “Risks and Uncertainties”. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. It is the Company’s policy that all forward-looking statements are based on the Company’s beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are based on information available as at December 30, 2021 and are subject to change after this date. The Company assumes no obligation and has no policy for updating or revising forward-looking information or statements to reflect new events or circumstances, except as may be required under applicable securities laws