

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2021

1. Date of Report: November 29, 2021

2. Overall Performance

Nature of Business

The Company was incorporated on August 21, 2006 under the Business Corporations Act of British Columbia 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 \$7,956,166 (2020 - \$7,628,413). At July 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. During the fiscal year the exploration and evaluation assets increased by \$1,922,667.

Business consultant expenses incurred during the year ended July 31, 2021 were \$395,427 as compared to \$182,164 for the period ended July 31, 2020. Investor relations and conferences were \$66,158 for the year ended July 31, 2020, compared to \$49,547 for the same period in 2020. In 2021 the Company hired a consulting company to assist with an investor program to provide marketing and online internet awareness. These costs along with increased spend for corporate consulting and investor meetings contribute to the increased spend over the prior year. Listing and transfer agent fees were \$61,658 compared with \$38,374 in 2020 which were due to a financing completed during the year.

Current assets are \$527,917 as at July 31, 2021, compared to \$492,790 as at July 31, 2020. Total liabilities are \$97,952 as at July 31, 2021 compared with \$285,968 for the prior year.

Selected Annual Information

	2021	2020	2019
Net revenues	\$ -	\$ -	\$ -
Net income (loss)	(327,753)	(331,638)	(2,510,968)
Total comprehensive income (loss)	(327,753)	(331,638)	(2,510,968)
Earnings (loss) per share – basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.06)
Total assets	527,917	958,528	783,416
Total current liabilities	97,952	285,968	142,468
Cash dividends	\$ -	\$ -	\$ -

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2021

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. 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.

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. During the year ended July 31, 2021, \$780 in exploration expenditures were incurred (2020 – nil) and permits were obtained to conduct exploration drilling on the property.

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, 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.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2021

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.

Decouverte claims, 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 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, 2021, drill permit applications were obtained for exploration drilling on the middle portion of the property.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2021

4. Summary of Quarterly Results

	31-Jul	30-Apr	31-Jan	31-Oct	31-Jul	30-Apr	31-Jan	31-Oct
	Fiscal 2021				Fiscal 2020			
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net gain (loss)	\$ 382,468	\$ (177,249)	\$ (128,044)	\$ (404,928)	\$ (214,491)	\$ 91,889	\$ (108,665)	\$ (100,371)
Gain (loss) per share	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Administrative expenses for the year ended July 31, 2021 were \$965,218, compared to \$555,786 in the prior year ended July 31, 2020. Costs for investor relations and conferences for the year ended July 31, 2021 were \$66,158 compared to \$49,547 for the same period in 2021. Costs in 2021 were greater due to spend for corporate consulting, online investor marketing and internet awareness programs. Listing and transfer agent fees were \$61,658 compared with \$38,374 in 2020. Losses in the quarters above remain consistent with an exploration stage company. The third quarter of 2020 included a recovery of \$184,919 due to tax credits received.

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 2022 year it may be necessary for Durango to raise money to fund operations.

a. During the year ended July 31, 2021, the Company:

- i. Completed a non-brokered private placement of 13,150,000 flow-through units at a price of \$0.1225 per unit for gross proceeds of \$1,610,875. 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. A flow-through premium of \$624,625 was recognized upon the issuance.
- ii. Completed a non-brokered private placement of 16,250,000 non-flow-through units at a price of \$0.075 per unit for gross proceeds of \$1,218,750. 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 16, 2023.
- iii. Issued 1,077,500 shares pursuant to warrant exercises. 415,500 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. Paid cash finders' fee in the amount of \$153,650 and issued 738,458 broker warrants valued at \$55,000 in connection with the aforementioned private placements. Each broker warrant is exercisable at \$0.15 for a period of three years.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2021

5. Liquidity (cont.)

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

- i. Completed a non-brokered private placement of 625,000 flow-through units at a price of \$0.08 per unit for gross proceeds of \$50,000. 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. A flow-through premium of \$18,750 was recognized upon the issuance.
- ii. Completed a non-brokered private placement of 4,000,000 and issued non-flow-through units at a price of \$0.05 per unit for gross proceeds of \$200,000. 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 Company has a cash balance of \$289,881, GST/QST recoverable of \$238,036, and working capital of \$429,965 as at July 31, 2021, enough to maintain corporate capacity and to complete current planned exploration activities

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 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 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

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2021

7. Off-Balance Sheet Arrangements

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

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,	2021	2020
Consulting fees with a company controlled by the President of the Company	\$ 120,000	\$ 120,000
Share based payments to directors and officers	200,150	114,333
Rental fees with a company with a common director of the Company	10,500	10,500
Director's and Accounting fees	43,000	44,000
	\$ 373,650	\$ 288,833

As at July 31, 2021, the unpaid balances to related parties amounted to \$12,848 (July 31, 2020 - \$34,506) 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 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
YEAR ENDED JULY 31, 2021

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 profit or loss in the period in which they arise.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2021

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 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 July 31, 2021 the Company was holding cash of \$289,881 to satisfy accounts payable and amounts due to related parties of \$82,836. 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.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2021

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 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 exploration 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.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2021

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, 2021	<u>76,705,500</u>
Balance, November 29, 2021	<u>76,705,500</u>

Commitments:

Options: 7,050,000 outstanding as at July 31, 2021 and 6,800,000 as at November 29, 2021.

Warrants: 20,735,717 outstanding as at July 31, 2021 and 20,673,217 as at November 29, 2021.

As at November 29, 2021:

- a) 76,705,500 common shares were issued and outstanding
- b) Option balances are:
 - 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
 - 200,000 exercisable at \$0.125 expiring September 9, 2025
- c) Warrant balances are:
 - 401,666 exercisable at \$0.125 expiring March 28, 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

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 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

In September 2021, 250,000 stock options exercisable at \$0.06 expired unexercised.

In November 2021, 62,500 warrants exercisable at \$0.125 expired unexercised.