

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2022

1. Date of Report: November 28, 2022

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 \$10,324,899 (2021 - \$7,956,166). At July 31, 2022, the Company is considered an exploration stage company. The head office mailing address of the Company is PO Box 31880, Richmond, BC V7E 0B5.

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 Company incurred \$567,247 in exploration and evaluation assets and recognized \$65,411 in tax credits. These amounts combined with a write down of Windfall and Trove properties of \$2,150,227 to satisfy audit and regulatory requirements result in a net overall decrease of \$1,648,391.

Business consultant expenses incurred during the year ended July 31, 2022 were \$121,000 as compared to \$395,427 for the period ended July 31, 2021. Investor relations and conferences were \$34,028 for the year ended July 31, 2022, compared to \$66,158 for the same period in 2021. In the prior year the Company hired a consulting company to assist with an investor program to provide marketing and online internet awareness. Those costs along with increased spend in 2021 for corporate consulting and investor meetings contributed to the difference in spend when comparing to the prior year. Listing and transfer agent fees for the current year were \$30,732, a decrease from \$61,658 in 2021, where additional costs were incurred for financing completed in the previous year.

Current assets are \$257,601 as at July 31, 2022, compared to \$527,917 as at July 31, 2021. Total current liabilities are \$143,470 as at July 31, 2022 compared with \$97,952 for the prior year.

Selected Annual Information

| | 2022 | 2021 | 2020 |
|---|-------------|-------------|-------------|
| | \$ | \$ | \$ |
| Net revenues | - | - | - |
| Net income (loss) | (2,368,733) | (327,753) | (331,638) |
| Total comprehensive income (loss) | (2,368,733) | (327,753) | (331,638) |
| Earnings (loss) per share – basic and diluted | (0.03) | (0.00) | (0.01) |

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| | | | |
|---------------------------|---------|---------|---------|
| Total current assets | 257,601 | 527,917 | 958,528 |
| Total current liabilities | 143,470 | 97,952 | 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.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. 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 year ended July 31, 2022, \$1,000 in exploration expenditures were incurred (2021 – \$9,691).

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, 2022, \$31,839 in exploration expenditures were incurred (2021 – \$780) 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, 2022, \$15,779 in exploration expenditures were completed on the properties (2021 - \$963,776). As of July 31, 2022, the property was written down to \$nil as management had no foreseeable future plans for the project and needed to satisfy audit and regulatory requirements.

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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, 2022, \$18,752 (2021 - \$939,874) in exploration expenditures were completed on the property. The Company completed an exploration program on the Trove Property which includes mapping, trenching and drilling on previously identified geochemical and geophysical anomalies. As of July 31, 2022, the property was written down to \$nil as management had no foreseeable future plans for the project and needed to satisfy audit and regulatory requirements.

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 Company owns 100% of the property. During the year 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 \$nil. During the year ended July 31, 2022, \$499,876(2021 – \$8,546) in exploration expenditures were completed on the property.

4. Summary of Quarterly Results

| | 31-Jul | 30-Apr | 31-Jan | 31-Oct | 31-Jul | 30-Apr | 31-Jan | 31-Oct |
|-----------------------|----------------|-------------|--------------|-------------|-------------|--------------|--------------|--------------|
| | Fiscal 2022 | | | | Fiscal 2021 | | | |
| Revenues | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net gain (loss) | \$ (2,182,282) | \$ (21,486) | \$ (104,176) | \$ (60,789) | \$ 382,470 | \$ (177,249) | \$ (128,044) | \$ (404,930) |
| Gain (loss) per share | \$ (0.03) | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ 0.00 | \$ (0.00) | \$ (0.00) | \$ (0.00) |

Administrative expenses for the year ended July 31, 2022 were \$323,590, compared to \$965,218 in the prior year ended July 31, 2021. Costs for investor relations and conferences for the year ended July 31, 2022 were \$34,028 compared to \$66,158 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 \$30,732 compared with \$61,658 in 2021. Losses in the quarters above remain consistent with an exploration stage company, except in quarter ended July 31, 2022 when approximately \$2.2 million exploration and evaluation assets were written off as management has no future plans for those properties..

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 \$197,863, GST/QST recoverable of \$59,738, and working capital of \$114,131 as at July 31, 2022.

In May 2022, the Company completed a brokered private placement of 6,064,705 flow-through units at a price of \$0.085 per unit for gross proceeds of \$515,500. Each unit consisted of one common share and one-half share purchase warrant exercisable at \$0.10 for a period of two years, expiring May 23, 2024. Proceeds from the financing were used exclusively for a 1,737m drill program on the Discovery property (the results of which are pending).

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To conduct additional exploration in the coming year beyond what is contemplated currently 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 financial statements for the year ended July 31, 2022 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.

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 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

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from the conflict in the Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts of the pandemic and the conflict in Ukraine to the business to be limited, the indirect impacts on the economy and on the industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

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7. Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed to as at July 31, 2022.

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, | 2022 | 2021 |
|---|-------------------|-------------------|
| 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 |
| Rental fees with a company with a common director of the Company | - | 10,500 |
| Director's and Accounting fees | 40,000 | 43,000 |
| | <u>\$ 160,000</u> | <u>\$ 373,650</u> |

As at July 31, 2022, the unpaid balances to related parties amounted to \$76,264 (July 31, 2021 - \$12,848) were owed to the CEO, CFO, and directors of the Company. The amounts due are non-interest bearing, unsecured, and due on demand.

The Company entered into a contract on June 1, 2017 with Steveston Finance, wholly owned by the President (Marcy Kiesman) of the Company. The contract obligates the Company to pay \$10,000 per month for management services until terminated. In the case of a change of control, the officer is entitled to an amount equal to \$175,000.

The Company entered into a consulting agreement on December 5, 2018 with the CFO of the Company that includes change of control clause. In the case of a change of control, the officer is entitled to an amount equal to twelve times the monthly cash payment. As at July 31, 2022, the monthly cash payment under the agreement is \$2,000 per month.

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:

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

10. Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, reclamation bond, accounts payable and accrued liabilities and due to related parties. 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, 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.

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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 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. At July 31, 2022 the Company had cash balance of \$197,863 and GST/QST recoverable of \$59,738 to satisfy its accounts payable and accrued liabilities and amounts due to related parties of \$110,252. 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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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.

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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, 2022 | <u>82,770,205</u> |
| Balance, November 28, 2022 | <u>82,770,205</u> |

Commitments:

Options: 5,000,000 outstanding as at July 31, 2022 and 5,000,000 as at November 28, 2022.

Warrants: 18,895,340 outstanding as at July 31, 2022 and 18,895,340 as at November 28, 2022.

As at November 28, 2022:

- a) 82,770,205 common shares were issued and outstanding

- b) Option balances are:
 - 1,400,000 exercisable at \$0.10 expiring February 19, 2025
 - 800,000 exercisable at \$0.10 expiring June 28, 2025
 - 2,600,000 exercisable at \$0.125 expiring September 9, 2025
 - 200,000 exercisable at \$0.10 expiring January 18, 2026

- c) Warrant balances are:
 - 7,035,250 exercisable at \$0.15 expiring August 13, 2023
 - 8,403,208 exercisable at \$0.15 expiring August 16, 2023
 - 3,456,882 exercisable at \$0.10 expiring May 23, 2024

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.

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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 November 28, 2022 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.