

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2023

1. Date of Report: November 27, 2023

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 \$10,613,597 (2022 - \$10,324,899). At July 31, 2023, 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 offerings of its shares. During the fiscal year ended July 31, 2023 the Company incurred \$262,734 in exploration and evaluation expenditures and recognized \$46,806 in tax credits. These amounts combined with a further write down of the value of the Trove property of \$8,570 result in a net overall increase of \$207,358 in exploration and evaluation expenditures.

Business consultant expenses incurred during the year ended July 31, 2023 were \$120,500 as compared to \$121,000 for the year ended July 31, 2022. Investor relations and conference expenses were \$14,226 for the year ended July 31, 2023, compared to \$34,028 for the same period in 2021. Listing and transfer agent fees in 2023 were \$45,001, compared to \$30,732 in 2022 due to the additional costs incurred in connection with a financing completed during the current year.

Current assets are \$622,200 as at July 31, 2023, compared to \$257,601 as at July 31, 2022. Total current liabilities are \$468,892 as at July 31, 2023 compared with \$143,470 for the prior year.

Selected Annual Information

	2023	2022	2021
	\$	\$	\$
Net revenues	-	-	-
Net income (loss)	(288,698)	(2,368,733)	(327,753)
Total comprehensive income (loss)	(288,698)	(2,368,733)	(327,753)
Earnings (loss) per share – basic and diluted	(0.00)	(0.03)	(0.00)
Total current assets	622,200	257,601	527,917
Total current liabilities	468,892	143,470	97,952

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2023

Cash dividends	-	-	-
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EXPLORATION PROPERTIES

General

The Qualified Person(s) responsible for the technical disclosure contained in this Management Discussion and Analysis (MD&A) is George Yordanov, P.Geo., a consultant and Melanie Mackay, P.Geo a director of 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 for the acquisition consisted of the issuance of 1,400,000 common shares to two arm's length vendors (issued). Finder's fees of 125,000 common shares were also 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, 2023, \$2,388 in exploration expenditures were incurred on this property (2022 – \$1,000).

Nemaska claims/NMX East, Quebec

During the year ended July 31, 2015, the Company staked 353 hectares directly adjoining 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, 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, 2023, \$17,816 in exploration expenditures were incurred (2022 – \$31,839) 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; and accordingly wrote off a portion of the capitalized cost. During the year ended July 31, 2022, \$15,779 in exploration expenditures were incurred on these claims (2021 - \$963,776). As of July 31, 2022, the property was written down to \$nil as management had no foreseeable future plans for the property.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2023

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, 2023, \$8,570 (2022 - \$18,752) in exploration expenditures were completed on the property. The Company previously 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, 2023 and 2022, the property was written down to \$nil as management had no foreseeable future plans for the property.

Decouverte claims, Quebec

On November 10, 2010, the Company announced an agreement for the acquisition of a 100% interest in the Decouverte Property situated in Quebec. Consideration consisted of 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 (satisfied). The Company owns 100% of the property. During the year ended July 31, 2019, the property was written down to \$nil. During the year ended July 31, 2023, \$138,676 (2022 – \$499,876) in exploration expenditures were completed on the property.

BC Minerals, British Columbia

In November 2022, the Company acquired land packages totaling over 2,500 hectares in the Babine copper-gold district of west-central British Columbia. The properties border American Eagle Gold's NAK property. During the year ended July 31, 2023, \$92,500 in acquisition costs were incurred for the property as well as \$2,784 in exploration expenditures.

4. Summary of Quarterly Results

	31-Jul	30-Apr	31-Jan	31-Oct	31-Jul	30-Apr	31-Jan	31-Oct
	Fiscal 2023				Fiscal 2022			
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net gain (loss)	\$ (81,022)	\$ (20,887)	\$ (104,802)	\$ (81,987)	\$ (2,182,282)	\$ (21,486)	\$ (104,176)	\$ (60,789)
Gain (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.03)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Administrative expenses for the year ended July 31, 2023 were \$316,242, compared to \$323,590 in the prior year ended July 31, 2022. Costs for investor relations and conferences for the year ended July 31, 2023 were \$14,226 compared to \$34,028 for the same period in 2022. Listing and transfer agent fees were \$45,001 compared with \$30,732 in 2022. Losses in the quarters above remain consistent with those of an exploration stage company, except in quarter ended July 31, 2022 when approximately \$2.2 million exploration and evaluation assets were written off.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2023

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 \$615,599, GST/QST recoverable of \$6,601, and working capital of \$153,308 as at July 31, 2023.

In December 2022, the Company completed a non-brokered private placement of 8,166,667 flow-through units at a price of \$0.09 per unit for gross proceeds of \$735,000. Each unit consisted of one common share and one-half share purchase warrant exercisable at \$0.18 for a period of two years, expiring December 28, 2024.

In January 2023, the Company completed a non-brokered private placement of 1,770,000 non flow-through units at a price of \$0.05 per unit for gross proceeds of \$88,500. Each unit consisted of one common share and one-half share purchase warrant exercisable at \$0.075 for a period of two years, expiring January 26, 2025.

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, 2023 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 exploration program and maintain corporate capacity for six months. The Company will need to raise additional capital to maintain capacity beyond six months and to conduct any further exploration. 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 financial condition and results of operations may be further negatively affected by economic and other consequences from the various regional conflicts including the conflict in the Ukraine and sanctions imposed in response to that action in late February 2022 and the more recent hostilities in the Middle East. While the Company expects any direct impacts of these conflicts 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.

7. Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed to as at July 31, 2023.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2023

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,	2023	2022
Consulting fees with a company controlled by the President of the Company	\$ 120,000	\$ 120,000
Director's and Accounting fees	40,000	40,000
Geological consulting fees	5,000	-
	\$ 165,000	\$ 160,000

As at July 31, 2023, the unpaid balances to related parties amounted to \$108,678 (July 31, 2022 - \$76,264) 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 President 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 a change of control clause. In the case of a change of control, the CFO is entitled to an amount equal to twelve times the monthly cash payment. As at July 31, 2023, the monthly cash payment under the agreement is \$2,000 per month.

9. Significant Accounting Estimates and Judgments

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 reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future periods if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

There are no 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 in the event that actual

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2023

results differ from assumptions made.

Critical Accounting Judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The Company's management made the following critical accounting judgments:

- i) The Company's ability to continue as a going concern.
- ii) The assessment of impairment indicators under IFRS 6, if any, of the exploration and evaluation assets.

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.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2023

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.

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, 2023 the Company had cash balance of \$615,599 and GST/QST recoverable of \$6,601 to satisfy its accounts payable and accrued liabilities and amounts due to related parties of \$136,563. 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, 2023

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 ability of the Company to meet its obligations as they come due is mainly dependent on its ability to fund operations through equity and/or debt financings and/or selling or creating a joint venture for some or all of its assets.
- 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, 2023

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, 2023	<u>94,206,872</u>
Balance, November 27, 2023	<u>94,206,872</u>

Commitments:

Options: 5,000,000 outstanding as at July 31, 2023 and 7,200,000 as at November 27, 2023.

Warrants: 24,353,674 outstanding as at July 31, 2023 and 8,915,216 as at November 27, 2023.

As at November 27, 2023:

- a) 94,206,872 common shares were issued and outstanding
- b) Option balances are:
 - 900,000 exercisable at \$0.10 expiring February 19, 2025
 - 800,000 exercisable at \$0.10 expiring June 28, 2025
 - 2,300,000 exercisable at \$0.125 expiring September 9, 2025
 - 200,000 exercisable at \$0.10 expiring January 18, 2026
 - 3,000,000 exercisable at \$0.05 expiring October 23, 2028
- c) Warrant balances are:
 - 3,456,882 exercisable at \$0.10 expiring May 23, 2024
 - 490,000 exercisable at \$0.18 expiring December 27, 2024
 - 4,083,334 exercisable at \$0.18 expiring December 28, 2024
 - 885,000 exercisable at \$0.075 expiring January 26, 2025

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.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2023

14. Subsequent Events

In August 2023, 15,438,458 warrants with an exercise price of \$0.15 expired unexercised.

In October 2023, the Company cancelled 800,000 stock options.

On October 20, 2023, the Company granted 3,000,000 stock options exercisable at \$0.05 with an expiry date 5 years from the date of issuance.

DURANGO RESOURCES INC.
(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JULY 31, 2023

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 the Company’s ability to raise capital, failing which it may not continue as a going concern, disputes; fluctuations in commodity prices and foreign currency exchange rates; uncertainties relating to interpretation of drill results and the geology; 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 27, 2023 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.