

DURANGO RESOURCES INC.

(An Exploration Stage Company)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE PERIOD END JANUARY 31, 2023

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 period ended January 31, 2023. This MD&A should be read in conjunction with the condensed consolidated interim financial statements of the Company for the period ended January 31, 2023, and the condensed consolidated annual financial statements of the Company for the financial year ended July 31, 2022, 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 12. 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 March 31, 2023.

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 \$10,511,688 (July 31, 2022 – \$10,324,899). At January 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.

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 January 31, 2023 and 2022 were \$30,000 for management fees. Listing and transfer agent fees were \$24,708 compared with \$2,254 for the same period in 2022 due to the timing of annual payments for listing fees for the OTCQB and TSXV. Professional fees for the period were \$41,584, compared to \$46,346 for the three-month period ended January 31, 2022.

Current assets were \$820,586 as at January 31, 2023, compared to \$257,601 as at July 31, 2022. Total liabilities were \$209,432 compared with \$143,470 as at the July 31, 2022.

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Selected Annual Information

	2023	2022	2021
Net revenues	\$ -	\$ -	\$ -
Net income (loss)	(104,802)	(164,965)	(327,753)
Total comprehensive income (loss)	(104,802)	(164,965)	(327,753)
Earnings (loss) per share – basic and diluted	\$(0.00)	\$(0.00)	\$(0.00)
Total current assets	820,586	346,563	527,918
Total current liabilities	209,430	165,023	97,995
Cash dividends	\$ -	\$ -	\$ -

3. EXPLORATION PROPERTIES

General

The Qualified Person(s) responsible for the technical aspects of this Management Discussion and Analysis (MD&A) is George Yordanov and Melanie Mackay, P.Geo's, and both are consultants 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). During the period ended January 31, 2023, \$13,138 in exploration expenditures were incurred for the property.

BC Copper Property, 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 period ended January 31, 2023, \$92,500 in acquisition costs were incurred for the property.

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.

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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. 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.

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. During the period ended January 31, 2023, \$69,496 in exploration expenditures were completed on 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, 2022, \$31,839 in exploration expenditures were incurred (2021 – \$780) and permits were obtained to conduct exploration drilling on the property. During the period ended January 31, 2023, \$2,953 in exploration expenditures were incurred.

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4. Summary of Quarterly Results

	31-Jan Fiscal 2023	31-Oct	31-Jul	30-Apr	31-Jan Fiscal 2022
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Net gain/(loss)	\$ (104,802)	\$ (91,997)	\$ (12,193,793)	\$ (11,106)	\$ (104,176)

Administrative expenses for the quarter ended January 31, 2023, were \$104,802, compared to \$104,176 in the prior period ended January 31, 2022. Business consultant expenses were \$30,000 for the three-month period ended January 31, 2022 and 2023. Listing and transfer agent fees were \$24,708 compared with \$2,254 for the same period in 2022 due to the timing of annual payments for listing fees. Professional fees for the period were \$41,584, compared to \$46,346 for the three-month period ended January 31, 2023. Investor relations and conferences were \$15,750 in the period ended January 31, 2022 compared to nil costs incurred in the current period for 2023 due to the reduction of investor relation activities. Losses in the quarters above remain consistent with an exploration stage company.

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 \$744,741, GST/QST recoverable of \$75,845 and working capital of \$611,154 as at January 31, 2023.

To conduct the exploration as planned in the 2023 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 condensed consolidated interim financial statements for the period months ended January 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.

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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.

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.

6. Off-Balance Sheet Arrangements

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

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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

For the period ended January 31,	2023	2022
Consulting fees with a company controlled by the President of the Company	\$ 60,000	\$60,000
Consulting fees with the CFO of the Company	12,000	12,000
Director's Fees	8,000	8,000
	\$80,000	\$80,000

As at January 31, 2023 and 2022, 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.

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.

8. Critical Accounting Estimates

The preparation financial statements require 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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9. 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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9. 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.

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9. Financial Instruments and Other Instruments (continued)

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 January 31, 2023, the Company had a cash balance of \$744,741, GST/QST recoverable of \$75,845, and positive working capital of \$611,154.

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 27, 2024.

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

Given the Company's low overhead costs, the current working capital is sufficient to complete planned exploration and maintain corporate capacity for the foreseeable future. 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.

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.

10. 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.

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10. Risks and Uncertainties (cont.)

- 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 financing 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 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.

- 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 in 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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11. Outstanding Share Data

Authorized Capital:

Unlimited common shares without par value

Issued Common Shares:	<u>Number</u>
Balance, January 31, 2023	<u>94,206,872</u>
Balance, March 31, 2023	<u>94,206,872</u>

Commitments:

Options: 5,000,000 outstanding as at January 31, 2023 and 5,000,000 as at March 31, 2023.

Warrants: 24,353,673 outstanding as at January 31, 2023 and 24,353,673 as at March 31, 2023.

As at March 31, 2023:

a) 94,206,872 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
- 4,573,334 exercisable at \$0.18 expiring December 27, 2024
- 885,000 exercisable at \$0.075 expiring January 26, 2025

12. Subsequent Events

In Feb 2023, the Company received \$40,615 for outstanding GST refunds and \$55,364 for a Quebec income tax refund.

In March 2023, the Company received \$42,647 in outstanding QST refunds.

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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 March 31, 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.