

September 2021

INTERVIEW WITH MANAGEMENT

Equifund talks with the **CEO of DURANGO GOLD**



DURANGO GOLD

FOUNDERS BIO:



**Fernando
Berdegue**
CEO

Fernando Berdegue has extensive experience in the mining sector. He joined Tonogold Resources in 2016, acquiring and exploring the historic Comstock Lode in Nevada. Prior to this, he was the founder of the DSPC private equity fund in South Africa. Fernando is also co-founder of Blue Marlin Capital, a venture capital entity focused on the natural resources space.

He holds a degree in Finance with a specialization in corporate law (ITESM), and a Masters in Management (IE Business School), and holds certificates in mining studies (UBC) and advanced corporate finance (LSE).

THE INTERVIEW:

EQUIFUND: WHAT'S YOUR ORIGIN STORY?

FERNANDO: Hi, I'm Fernando Berdegue, founder and CEO of Durango Gold. I've been working in the mining and exploration industry for almost 10 years ago now.

If you know a bit of market history, it means I got started basically in the bottom of the last market cycle when exploration budgets had dried up.

But before I got started in the industry, I was working in South Africa and was working as a wildlife conservationist. We were developing conservationist models for profit. I was in charge of incorporating private equity funds into the work we were doing.

When I came back to Mexico (which is where I was born), one of my dear friends – Gustavo Mazon, who is now the executive director of business development for Durango Gold – asked me if I could help him and his family brainstorm ideas to get financing to acquire mining properties in Mexico.

One thing lead to another and we wound up launching Candor Capital. And worked together on several projects.

In 2016, I started working in Nevada in the historic Comstock. That’s where I really learned how the mining industry worked. I had the privilege of being part of the company that consolidated the Comstock. I also worked on the strategy and came up with creative ways to explore the territory.

I had always thought of Mexico as a very interesting opportunity in general. Mexico is basically under explored; it’s not as developed as the United States that has major companies focused on production.

In Mexico, this isn’t really the case. Only 30% of the country is properly explored. I knew I wanted to get back to Mexico eventually and start working on a project there.

And that’s how Durango Gold was born!

EQUIFUND: DID YOU ALWAYS WANT TO BE IN MINING AND EXPLORATION?

FERNANDO: I never thought I’d be a CEO of a mining company. But, I’ve always been attached to nature in general. I grew up fishing and doing outdoor sports (like surfing) and I’ve always been an adventurer at heart.

When I started working in mining, I thought “hey, I’m actually an explorer.” When I started working with geologists, I found I had the same attitude for finding things and the competencies for making a discovery.

There’s a saying in mining circles: “good hunting.” And that’s one of the things I love about mining and exploration.

Coming from conservationism, I obviously had a different perspective than most people. And that’s one of the things that makes Durango Gold different.

I started seeing some of the issues in the industry and wanted to turn those issues into an advantage.

Once you're in the mining industry, you understand how crucial it is to keep mining for different components and resources.

For example, in a smartphone, there are 70 different elements needed to make it.

That's not to say we need to keep mining for gold and silver to make smartphones, but here's the point: How do we develop this industry to be more environmentally friendly?

The world is changing fast, and this industry still has a long way to go.

EQUIFUND: WHAT MAJOR TRENDS HAVE SHAPED THE INDUSTRY OVER THE PAST DECADE?

FERNANDO: In the past years, I've seen something unique (I call it the "Crash to Reality") that comes from fast moving tech companies.

For example, Tesla is an innovative company that is producing batteries left and right. Because of that, we've become more accustomed to the idea of electric vehicles being a thing.

Seven years ago, you wouldn't think that one of these companies wouldn't understand that it's not easy to just switch on a mine. It's a slow process that can take years. It takes a long time to build out an infrastructure.

We're now coming to a realization about how important mining is. But mining metals isn't as easy as harvesting other raw materials.

Rare earth minerals are mainly found in China, some in Australia and Canada. Those are all crucial components in our modern day life.

I think there's a lot to be learned. I think there's a lot of people from Silicon Valley and tech who are trying to better understand what mining is about and how to improve their culture.

Mining in my experience has a negative perception for most people. But if I have a dialogue with someone, they start to realize how important it is.

EQUIFUND: WHAT DOES GOLD HAVE TO DO WITH ANY OF THIS?

FERNANDO: Mexico is a diverse country and has a wealth of minerals.

As a matter of fact, speaking of lithium, the largest clay deposit in the world is in Mexico.

[Editor's note: Many companies are in the research and development phases for extracting lithium from clay deposits, but no companies currently produce lithium from them.]

For us, it's what is available in terms of value and what is the platform we can operate from. We have a better chance of creating extraordinary value from gold and silver.

However, if we can find a World Class Deposit, it means we are contributing to sustainable development in the region.

In Mexico there's also copper, zinc, lead, and other different metals that are mined.

As a mining company, it's important for us to discover a source of wealth.

Throughout the process, as we add value in general (and to the environment), it will open doors for us to pursue other mineral opportunities later on.

If we want to focus later on any other metal, doors will open. Gold and silver is something we understand very well based on the track record of our team. It's also easier to get into production.

In the region we are exploring, we believe there is room for this discovery of gold and silver. It's a region we want to be focused on because of family connections. We know the area very well and have been operating in the region for four generations.

EQUIFUND: WHAT IS A WORLD CLASS DEPOSIT?

FERNANDO: A World Class Deposit is a deposit that hosts 10 million oz of gold (or gold equivalent). 2% of the world's deposits are world class deposits.

The monetary value of this type of deposit – assuming \$1,800/oz gold prices – would be the equivalent of \$18 billion dollars in assets.

Yes, gold prices could change in the future (both up or down), but I'm not really focused on that. Instead, I'm focused on business development. If you find a high grade mine, you don't have to worry about the gold price as much.

But coming back to the Comstock, it was discovered in 1859. It's basically the most important discovery in the history of the United States. From 1859 - 1920, it produced 9m oz of gold and 180m oz of silver.

The Comstock is in Virginia City, NV in the high desert, close to Reno and Carson City. It was the catalyst for Nevada to become a state. In those days, the US was in the Civil War and it became an area of interest immediately for the US government.

[Editor's Note: The Comstock Lode is notable not just for the immense fortunes it generated and the large role those fortunes had in the growth of Nevada and San Francisco, but also for the advances in mining technology that it spurred, such as square set timbering and the Washoe process for extracting silver from ore [\[source\]](#).

The wealth created by the Comstock Lode caught the attention of President Abraham Lincoln, who needed money to pay Civil War expenses. Even though it did not have the population required by the constitution, Nevada had enough silver and gold to gain statehood in 1864. [\[source\]](#)

The west coast stock market was born after the discovery.

It's a fascinating story. If you're interested in learning more, I recommend checking out the book "The Bonanza King" by Gregory Crouch. The author happens to be a friend of mine and helped us when I was working on the Comstock.

A lot of wealth was generated because of the discovery and made a huge impact on the formation of America.

EQUIFUND: FOR THOSE NOT FAMILIAR WITH GEOLOGY, HOW DOES THIS APPLY TO WHAT'S GOING ON IN MEXICO?

FERNANDO: When you look at the geography of North America, there is a large mountain range that extends down the continent.

The Sierra Nevada is where the Comstock Lode was discovered, and that mountain range extends down into Mexico into what's called the Sierra Madres Gold-Silver Belt.

There's a lot of mining activity down in the Mexican range because it has similar geologic formations as the Sierra Madres. However, it's not nearly as developed as the US.

For context, Nevada produces 80% of the gold in the US. If it was a country, it would be the 4th largest gold producer in the world.

We strongly believe that the Claudia project has the potential to become a World Class Deposit. It won't happen overnight, but having a high goal is key to the success of the project.

To discover one would be transformational for the region. It would be a very big deal.

That's why there is so much excitement around our company and why we've been able to attract the talent we have.



EQUIFUND: WHO IS ON YOUR TEAM?

FERNANDO: We've been talking a little bit about tech leaders, and I want to highlight the fact that we have **Fred Kaufman** on our team. He was VP at Google for leadership and a direct advisor to the CEO of LinkedIn.

Steve Weiss was head of exploration in Mexico for Gold Corp (which became the 3rd largest producer after the combination with Glamis).

Steve was semi-retired and was working with us as a consultant. When we went to see the project for the first time in 2017, his first reaction was like being in an amusement park. It was evident that it was a large system that had been under-explored.

Steve worked with Glamis that sold to GoldCorp for \$7.6b. Steve stayed through the acquisition. For someone like him to be working with our company it has to do with the vision. To do something different and innovate.

I think there's an element of helping the next generation as well. And I think he understands the opportunity we have in Mexico.

Steve brought a lot of people from his former team at GoldCorp. The actual boots on the ground, we have 6 geologists who are super experienced and understand how to develop this type of deposit.

Sean Zubik – he was cofounder of a company called New Found Gold (NFG.V). This company started ~3 years ago as a project in NE Canada (Newfoundland). The company

is now worth \$1.5b. They made a major discovery.

[Editor's Note: Current market cap of NFG.V is \$1.229B as of Sept 30th, 2021 (source: Yahoo Finance)]

He was also part of Gold Spot, a company focused on AI for exploration.

Sean has been instrumental in helping us raise capital.

Charles Funk – a strategic advisor for exploration. He's working in tandem with Steve, but with less hours. He is CEO of another company called Heliostar Metals .

He was VP of exploration for Vizsla Resources that also made a major discovery. His most notable recent success has been at the Panuco Project in Mexico which was optioned to Silverstone Resources. In 3 years, they went from being worth \$15m to \$300m.

He brought the attitude we need to have when exploring these major systems. Charles is also around my age and it's a perfect mix with someone like Steve who has more experience working with these types of deposits.

Charles is sort of like the new age, aggressive "go for it" type of explorer.

Gustavo Mazon – he's the chairman of a company he's getting ready to list on the TSX called Rancho Gold.

Craig Auringer and **Ron Bauer** – they've been the greatest supporters of the idea. They actually approached me with the idea of doing crowdfunding. I immediately thought "this is fantastic!" Everything that refers to innovation I put a lot of attention to it.

The whole idea of innovating in capital raising is so important in this industry because at the end of the day, exploration is expenditure after expenditure.

Craig and Ron are capital markets experts and deal makers with a track record of success across multiple industries.

EQUIFUND: WHAT IS THE OPPORTUNITY FOR INVESTORS?

FERNANDO: You know that I like to refer to Shared Values, which is a term from modern times. Shared Values has been part of the strategy since the inception.

It's the next generation of social and environmental values. What Shared Values tells you is that you need to understand the environment you're operating on every level.

You need to identify areas of opportunity so you can add value, and that value can be transformed into shareholder value (i.e. profit).

What we're doing in contrast to other junior mining companies is taking this concept very seriously. I've been spending a lot of time spearheading this effort trying to understand where we can add value to get different forms of rewards.

This comes from social license. Decreasing any potential environmental footprint. We're drilling holes into the earth's crust, so you want to pay attention to what's in the environment in terms of ecology. There's water sources and vegetation to be mindful of.

For us, the baseline study to take time to understand what the environment means is the most critical aspect of the project.

It may sound simplistic, but we are a company that needs to discover resources, is dependent on outside capital, and there is a lot of risk.

People in my position (i.e. CEOs) are typically under a lot of pressure and don't take the time to do this.

We are building Durango to be a long term company, not just a short term "Flip". We want to open doors and build for the long term.

We're coordinating efforts with the state government, who is pro mining in Durango. Coordinating all these forces is what makes a project or company different.

For us, it's just paying attention to what we consider the most important things.

When I talk about social, where the project is, there are five communities. The land is community property and we own claims to what's underneath.

When we go into the project, we enter areas owned by these communities. We go as far as to understand what immediate needs these communities have from a sustainable development perspective.

We've done things like improving the health care clinic. We make the effort to do things like building cellular antennas, sterilizing equipment, providing roofing for the schools...

Any mining company is required by law to have an agreement with the communities for surface access and to "pay rent" to operate on the land.

For example, if you're going to build a drill pad, you have to level the ground and there's a process we have to go through.

Durango Gold decided that the rent should be paid "in kind," and we were going to have

an open dialogue with these communities and their leaders to understand where that payment in kind would be best used.

So far, this approach has been working well for us.

EQUIFUND: WHAT IS THE IMPORTANCE OF THE DRILL PROGRAM ON THE POTENTIAL 2022 IPO?

FERNANDO: When we first set foot in the property, it was March 2021. It took us six months from mapping surface sampling to having drill contractors in the property.

This is light speed fast. We weren't sacrificing quality at all.

It's also not normal that a private mining company is drilling a 10,000m drill program. Companies usually get listed. They get a few rounds of financing. The listing process takes a few months. It might take ~12+ months if things go very well to get a drill program started.

On the other hand, the huge advantage is having people like Steve who know what to do in these types of situations with these types of geologic formations.

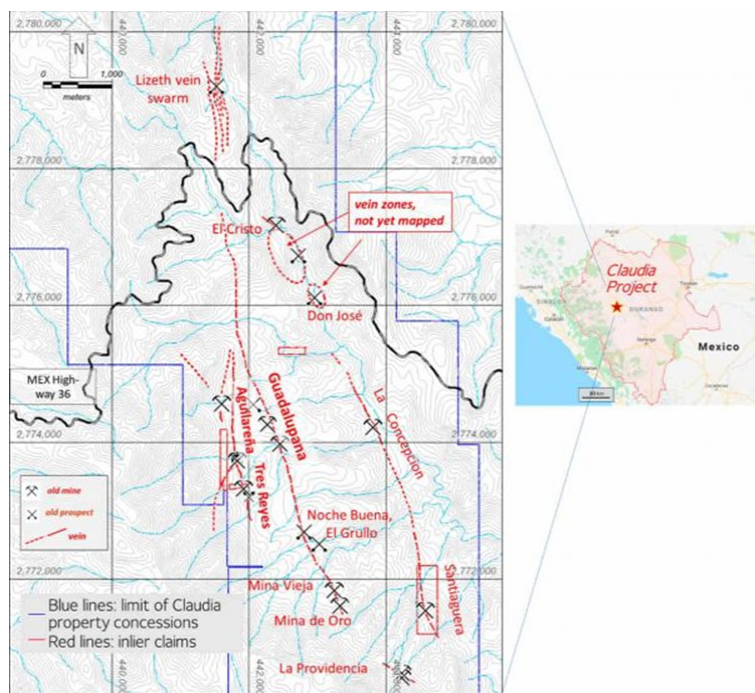
Our team has people who know what needs to be done and they're not going to hesitate to do what it takes.

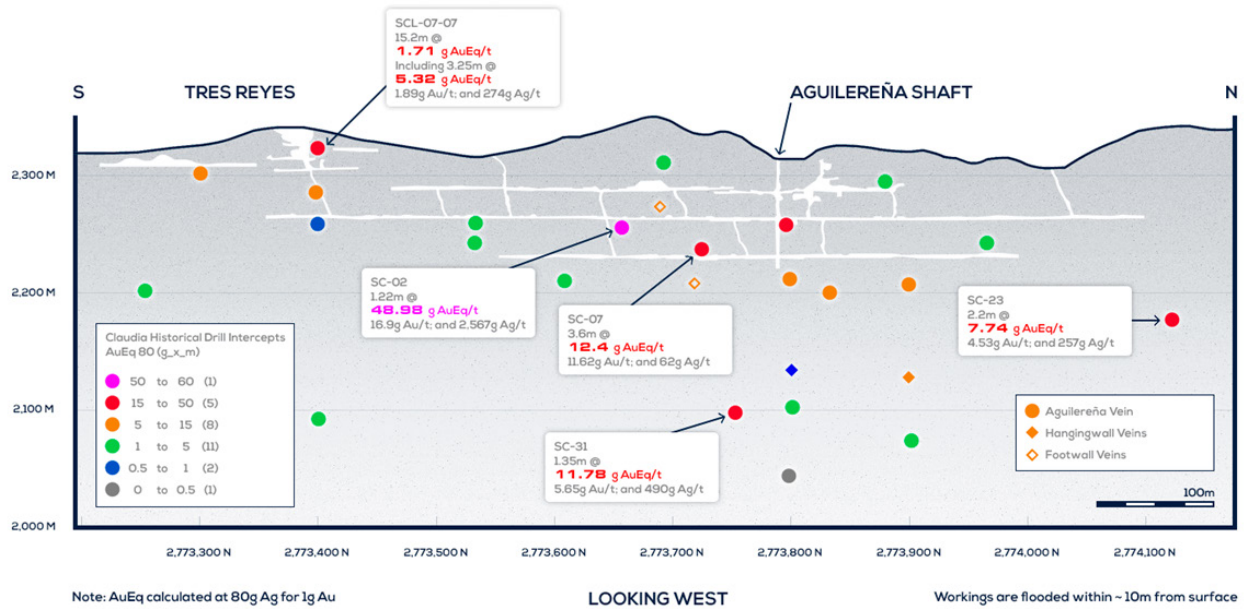
Right now, we have a survey map that shows us what the mineral veins potentially look like in terms of direction and length (see image to the right).

The purpose of the 10,000m drill program is to confirm some of these grades that were indicated by the previous owners of the property (image located on following page).

If we do, it would confirm potential mineralization in other parts of the project, and would be a catalyst for valuation (i.e. it would go up).

It takes more than a single drill hole. We're not going to stop the drill program early. In the end, the





objective is to develop proper resources. To do that, we need to continue drilling. It's all about concentration.

Then, we can create a resource estimate based on that drilling, which we'll need before we can do an IPO.

EQUIFUND: WHAT WOULD HAPPEN TO THE COMPANY FROM A VALUATION PERSPECTIVE IF YOU DO CONFIRM THE DATA?

FERNANDO: We're looking at doubling the valuation of the company at the IPO. By confirming the historical estimations, we believe we'd have enough substance to do that.

The fact that we've been meeting our milestones, it's highly likely we will list in the next 12 months.

We feel confident we will know by the end of the year to prepare for a potential IPO.

As part of the preparation, we'll need to create a resource estimate called the S-K 1300.

[Editor's Note: On Oct. 31, 2018, The Securities and Exchange Commission announced that it had voted to adopt amendments to modernize the property disclosure requirements for mining registrants, and related guidance, under the Securities Act of 1933 and the Securities Exchange Act of 1934.

The amendments will provide investors with a more comprehensive understanding of a registrant's mining properties, which should help them make more informed investment decisions.

The amendments also will more closely align the Commission's disclosure requirements and policies for mining properties with current industry and global regulatory practices and standards.]

It's a standard you have to report in terms of resources. It's a format and has to be done by a qualified person (like Steve). When you are reporting resource estimates, these reports are done by 3rd parties.

EQUIFUND: WHY SHOULD INVESTORS CONSIDER THIS?

FERNANDO: It's all about people. We've got a great team. The competitive advantages we have are evident, and I'd encourage people to consider investing in Durango Gold because there isn't another mining company with our vision and objective.

There aren't other companies who understand Mexico like we do.

EQUIFUND: WHAT IF SAMPLE DRILLING DOES NOT PROVE TO BE SUCCESSFUL, HOW WILL DURANGO GOLD PROCEED FROM THAT POINT?

FERNANDO: For the Claudia property in particular, we have established we can drill 20,000m at least. There is a lot of drilling that would have to go on and will take us through 2022.

Durango Gold has been assessing other properties as well. Our objective is to have a secondary property in the near term.

As an exploration company, that's part of mitigating risk. You want to have other properties in the portfolio.

EQUIFUND: IS THERE PROCESSING EQUIPMENT ON SITE?

FERNANDO: No, we don't have equipment for processing ore. We are purely an exploration company.

Heavy equipment is subcontracted. We work with high level contractors who work with the largest companies in Mexico.

These are very specialized contracts. You negotiate in terms of meters. We have two drilling companies under contract for 5,000m. If one rig is stuck or has issues, you still

have operations. It also creates a bit of competition. It's called core recovery. There are penalties for recovering anything less than 80%.

EQUIFUND: WHAT SECURITY RESOURCES DO YOU HAVE IN PLACE?

FERNANDO: We don't have any security concerns. One of the reasons why it's important to have the approach we have with the community and government is to have a filter in terms of security.

We've heard news about Mexico, but the area we operate in, my family has been operating there for 4 generations. We like the area and there is a good economy..

EQUIFUND: HOW IS THE TECHNOLOGY DIFFERENT NOW THEN WHEN COMSTOCK WAS FOUND?

FERNANDO: They didn't have drill rigs back then! They found the outcrop by looking for lesser golds with the pans down in the streams.

For more information on how to invest in Durango Gold, please visit: <https://www.equifund.com/durangogold>



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