

AGUILA AMERICAN GOLD LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED OCTOBER 31, 2017

The following management discussion and analysis and financial review, prepared as at December 13, 2017, should be read in conjunction with the unaudited consolidated financial statements and related notes for the six months ended October 31, 2017 of Aguila American Gold Limited ("Aguila" or the "Company"). The following disclosure and associated condensed consolidated interim financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

Forward-Looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

Company Overview

The Company is a junior mineral exploration company which was previously engaged in exploration of the Angostura Property located in Peru. Effective April 30, 2017 the Company determined to cease operations in Peru. As a result, during fiscal 2017 the Company recorded an impairment expense of \$1,318,408 for the remaining carrying value of the Angostura Property. On July 3, 2017 the Company entered into an agreement and sold its wholly-owned Peruvian subsidiaries, Aguila American Resources Limited S.A. and Kori Trader S.A.C., for \$40,913. As at the date of this MD&A, the Company has no mineral property interests. See also "Financial Condition / Capital Resources".

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSXV under the symbol "AGL", the OTCBB under the symbol "AGLAF" and the Frankfurt Stock Exchange under the symbol "AGP".

Share Consolidation

On May 17, 2017 the Company completed a consolidation of its share capital on a one new for ten old basis. The share and per share amounts have been adjusted within this MD&A to reflect the share consolidation.

Selected Financial Data

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

	Fiscal 2018		Fiscal 2017				Fiscal 2016	
	Oct. 31 2017 \$	Jul. 31 2017 \$	Apr. 30 2017 \$	Jan. 31 2017 \$	Oct. 31 2016 \$	Jul. 31 2016 \$	Apr. 30 2016 \$	Jan. 31 2016 \$
Operations:								
Revenues	Nil							
Mineral exploration costs	Nil	Nil	(7,159)	(12,932)	(15,405)	(25,057)	(26,102)	(13,215)
Expenses	(30,110)	(44,559)	(25,587)	(65,700)	(76,368)	(75,969)	(96,395)	(71,241)
Other items	1,227	41,357	(1,063,189)	25,972	(7,511)	(43,809)	31,040	(20,024)
Net loss	(28,883)	(3,202)	(1,095,935)	(52,660)	(99,284)	(144,835)	(91,457)	(104,480)
Basic and diluted income (loss) per share	(0.01)	(0.00)	(0.47)	(0.02)	(0.04)	(0.07)	(0.05)	(0.06)
Dividends per share	Nil							
Balance Sheet:								
Working capital (deficiency)	(505,121)	(476,238)	(508,954)	(736,501)	(707,563)	(624,746)	(653,342)	(738,448)
Total assets	32,652	61,699	19,507	1,346,576	1,355,398	1,382,693	1,350,203	1,270,572
Total long-term liabilities	Nil							

Results of Operations

Three Months Ended October 31, 2017 Compared to Three Months Ended July 31, 2017

Company activities have been kept at minimal levels while the Company implements its recapitalization and review of business opportunities. During the three months ended October 31, 2017 (“Q2”) the Company reported a loss of \$28,883, compared to a loss of \$3,202 for the prior three months ended July 31, 2017 (“Q1”), an increase in loss of \$25,681. Significant fluctuations of note were as follows:

- (i) during Q1 the Company disposed of its Peruvian subsidiaries for \$40,913. See also “Company Overview”;
- (ii) during Q1 the Company recognized \$15,918 share-based compensation on the granting of share options. No share options were granted in Q2; and
- (iii) during Q2 the Company was invoiced \$7,500 for the audit of the fiscal 2017 year-end financial statements.

Six Months Ended October 31, 2017 Compared to Six Months Ended October 31, 2016

During the six months ended October 31, 2017 (the “2017 period”) the Company reported a loss of \$32,085, compared to a loss of \$244,119 for the six months ended October 31, 2016 (the “2016 period”), a decrease in loss of \$212,034. The decrease in loss was primarily attributed to the Company’s decision in April 2017 to cease operations in Peru, resulting in significant reductions in exploration and corporate activities during the 2017 period and net proceeds of \$40,913 received in the 2017 period from the disposition of the Peruvian subsidiaries. Other significant fluctuations of note are as follows:

- (a) Expenses decreased by \$77,669, from \$152,337 during the 2016 period to \$74,669 during the 2017 period, primarily due to:
 - (i) a decrease of \$17,111 in accounting administration from \$29,211 in the 2016 period to \$12,100 in the 2017 period. During the 2017 period the Company incurred \$12,100 (2016 - \$18,100) for services provided by Chase Management Ltd. (“Chase”), a private company owned by Mr. DeMare, the CFO of the Company. During the 2016 period the Company was also billed \$11,111 for accounting services provided by a third party accounting firm for services provided relating to the Company’s Peruvian subsidiaries;
 - (ii) \$24,000 was incurred during the 2016 period for management fees charged by Mr. Huguet in his capacity as the Company’s President and CEO;
 - (iii) during the 2016 period the Company incurred \$23,678 for travel expenses for monthly travel allowances provided to Mr. Huguet. No travel costs were incurred in the 2017 period;

- (iv) during the 2016 period the Company incurred \$7,239 for legal expenses for ongoing services relating to the Angostura Property and general corporate matters. No legal services were required during the 2017 period; and
 - (vi) the recognition of \$15,918 (2016 - \$14,845) share-based compensation of on the granting of share options to purchase 100,000 (2016 - 24,000) common shares.
- (b) During the 2016 period the Company incurred \$40,462 in consulting, general exploration and property maintenance and support on the Angostura Property. With the decision to cease operations in Peru in April 2017 the Company did not conduct any mineral exploration activity during the 2017 period.
- (c) The Company recorded a financing expense of \$32,761 during the 2016 period for warrants granted by the Company to a lender.

The Company did not complete any equity financings during the 2017 period. The Company did, however, issue 100,000 common shares of the Company on the exercise of share options for proceeds of \$20,000. During the 2016 period the Company completed a non-brokered private placement financing of 242,860 units for gross proceeds of \$170,002. In addition the Company issued 34,480 common shares of the Company on the exercise of warrants for proceeds of \$22,240 during the 2016 period.

The Company has, in the past, received ongoing advances from related parties to provide working capital to the Company. During the 2017 period the Company received advances of \$10,076 and subsequently repaid \$11,970. During the 2016 period the Company repaid \$32,072 of advances previously received. See also “Transactions with Related Parties”.

Financial Condition / Capital Resources

During the 2017 period the Company incurred a loss of \$32,085 and, as at October 31, 2017, had negative working capital of \$505,121 and an accumulated deficit of \$27,829,539. The Company has no significant assets and is dependent on ongoing advances from its officers and shareholders. Further funds will be required to fund existing levels of operations and administration, retire its indebtedness as they come due, and conduct due diligence on identifying and evaluating potential mineral interest acquisitions or business opportunities. The Company will need to raise additional capital from the sale of common shares or other equity or debt instruments. If the Company is unable to raise the necessary capital and generate sufficient cash flows to meet obligations as they come due the Company may have to reduce or curtail its operations. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Critical Accounting Estimates

The preparation of financial statements in conformity IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include the determination of mineralized reserves, plant and equipment lives, estimating the fair values of financial instruments, impairment of long-lived assets, reclamation and rehabilitation provisions, valuation allowances for future income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of all the Company’s significant accounting policies is included in Note 3 to the April 30, 2017 and 2016 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

Transactions with Related Parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) Transactions with Key Management Personnel

- (i) During the 2017 and 2016 periods the following amounts were incurred with respect to the Company's executive officers:

	2017 \$	2016 \$
Mr. Huguet - management services	-	24,000
Mr. Huguet - travel allowance	-	23,473
Mr. DeMare - professional fees	18,000	18,000
Mr. DeMare - share-based compensation	15,918	-
	<u>33,918</u>	<u>65,473</u>

As at October 31, 2017, \$334,012 (April 30, 2017 - \$316,012) remained unpaid on past fees and expenses incurred.

- (ii) During the 2017 period Company incurred \$12,100 (2016 - \$18,100) for accounting and administration services provided by Chase, a private company owned by Mr. DeMare. As at October 31, 2017 \$4,000 (April 30, 2017 - \$4,766) remained unpaid.
- (iii) The Company has received ongoing advances from the Company's current and former officers to provide working capital to the Company. During the 2017 and 2016 periods advances received and repayments made were as follows:

	2017 \$	2016 \$
Mr. Huguet:		
Balance at beginning of period	18,500	41,147
Repayment	-	(32,072)
Foreign exchange adjustment	-	713
Balance at end of period (owed to Mr. Huguet's estate)	<u>18,500</u>	<u>9,788</u>
	<u>2017</u> \$	<u>2016</u> \$
Mr. DeMare		
Balance at beginning of period	38,857	18,919
Advances	10,076	-
Foreign exchange adjustment	(463)	335
Balance at end of period	<u>48,470</u>	<u>19,254</u>
	<u>66,970</u>	<u>29,042</u>

These advances currently are without specific terms of interest or repayment.

(b) *Transactions with Other Related Parties*

- (i) During the 2017 and 2016 periods the following professional fees were incurred with respect to non-executive directors of the Company:

	2017 \$	2016 \$
Mr. Way - professional fees	3,000	3,000
Mr. Berka - professional fees	3,000	3,000
	<u>6,000</u>	<u>6,000</u>

As at October 31, 2017 \$74,832 (April 30, 2017 - \$68,832) remained unpaid on past fees.

- (ii) During the 2016 period the Company completed a non-brokered private placement financing of 242,860 units at \$0.70 per unit. During the 2016 period Mrs. Huguet purchased 45,817 units for \$32,071 and a private company owned by Mr. Berka purchased 5,500 units for \$3,850 of this financing.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at December 13, 2017, there were 2,424,985 issued and outstanding common shares, 581,260 warrants outstanding with exercise prices ranging from \$0.50 to \$1.00 per share and 115,450 share options outstanding with an exercise price of \$0.50 per share.