

# AGUILA AMERICAN GOLD LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED APRIL 30, 2017

The following management discussion and analysis and financial review, prepared as at August 25, 2017, should be read in conjunction with the audited consolidated financial statements and related notes for the years ended April 30, 2017 and 2016 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](http://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 engaged in exploration of the Angostura Property located in Peru. Effective April 30, 2017 the Company determined to cease operations in Peru. The Company is in the process of completing the disposition of its wholly-owned Peruvian subsidiaries, Aguila American Resources Limited S.A. and Kori Trader S.A.C., for nominal consideration. The Company has also recorded an impairment expense of \$1,318,408 for the remaining carrying value of the Angostura Property. 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".

### Officers and Directors

On February 6, 2017 the Company announced the sudden passing of Mr. John Huguet, President and CEO of the Company. Mr. DeMare, a director and the CFO of the Company was subsequently appointed interim CEO. The current board of directors and officers are as follows:

Mr. Nick DeMare	Director, Interim CEO, CFO and Corporate Secretary
Mr. Blair Way	Director
Mr. Dušan Berka	Director

## 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.

## Exploration Project

### Angostura Property, Department of Apurimac, Province of Grau, District of Curpahasi, Peru

The Angostura Property covers approximately 8,996 hectares and is comprised of the Delicia Concession and fifteen staked exploration concessions. The property is located in southern Peru in the Department of Apurimac, approximately 534 kilometres southeast of Lima and 95 kilometres southwest of the city of Cuzco, and can be reached along paved highways and gravel roads. The area is mountainous and elevations on the property vary between approximately 2,750 meters and 4,519 meters above sea level.

During early fiscal 2017 the Company continued the assessment of development of the Angostura Property and plans for the construction of the El Triunfo gold processing facility. With the passing of former CEO, Mr. Huguet, the Company has determined to cease all activities in Peru and is in the process of completing the disposition of its subsidiaries for nominal consideration. Accordingly the Company has recorded an impairment expense of \$1,318,408 for the reaming carrying amount of the Angostura Property and \$2,538 for related equipment and furniture.

## Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Years Ended April 30,		
	2017 \$	2016 \$	2015 \$
<b>Operations:</b>			
Revenues	Nil	Nil	Nil
Mineral exploration costs	(60,553)	(111,727)	(75,885)
Expenses	(243,624)	(311,120)	(428,064)
Other items	(1,088,537)	(13,992)	(17,157)
Net loss	(1,392,714)	(436,839)	(521,106)
Basic and diluted (loss) per share	(0.62)	(0.27)	(0.40)
Dividends per share	Nil	Nil	Nil
<b>Balance Sheet:</b>			
Working (deficiency) capital	(508,954)	(653,342)	(385,789)
Total assets	19,507	1,350,203	1,297,710
Total long-term liabilities	Nil	Nil	Nil

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

	Fiscal 2017				Fiscal 2016			
	Apr. 30 2017 \$	Jan. 31 2017 \$	Oct. 31 2016 \$	Jul. 31 2016 \$	Apr. 30 2016 \$	Jan. 31 2016 \$	Oct. 31 2015 \$	Jul. 31 2015 \$
<b>Operations:</b>								
Revenues	Nil							
Mineral exploration (costs) recovery	(7,159)	(12,932)	(15,405)	(25,057)	(26,102)	(13,215)	(17,939)	(54,471)
Expenses	(25,587)	(65,700)	(76,368)	(75,969)	(96,395)	(71,241)	(87,460)	(56,024)
Other items	(1,063,189)	25,972	(7,511)	(43,809)	31,040	(20,024)	(938)	(24,070)
Net income (loss)	(1,095,935)	(52,660)	(99,284)	(144,835)	(91,457)	(104,480)	(106,337)	(134,565)
Basic and diluted income (loss) per share	(0.47)	(0.02)	(0.04)	(0.07)	(0.05)	(0.06)	(0.07)	(0.09)
Dividends per share	Nil							

	Fiscal 2017				Fiscal 2016			
	Apr. 30 2017 \$	Jan. 31 2017 \$	Oct. 31 2016 \$	Jul. 31 2016 \$	Apr. 30 2016 \$	Jan. 31 2016 \$	Oct. 31 2015 \$	Jul. 31 2015 \$
<b>Balance Sheet:</b>								
Working capital (deficiency)	(508,954)	(736,501)	(707,563)	(624,746)	(653,342)	(738,448)	(642,208)	(543,947)
Total assets	19,507	1,346,576	1,355,398	1,382,693	1,350,203	1,270,572	1,295,385	1,293,407
Total long-term liabilities	Nil							

## Results of Operations

### *Three Months Ended April 30, 2017 Compared to Three Months Ended April 30, 2016*

During the three months ended April 30, 2017 (“Q4/2017”) the Company reported a loss of \$1,095,935, compared to a loss of \$91,457 for the three months ended April 30, 2016 (“Q4/2016”), an increase in loss of \$1,004,478. The increase in loss was primarily attributed to the recognition of an impairment expense of \$1,318,408 for the remaining carrying value of the Angostura Project. The Company also recorded an impairment expense of \$2,538 for the remaining carrying cost of property, plant and equipment.

The impairments recorded in Q4/2017 were partially offset by:

- (i) in Q4/2017 the Company recorded a recovery of \$257,411 (Q4/2016 - \$nil) relating to costs recorded in prior years by the subsidiaries;
- (ii) the Company incurred \$12,875 in travel expense during Q4/2016. The Company did not incur any travel expenses in Q4/2017; and
- (iii) during Q4/2016 the Company recorded \$39,235 share-based compensation expense relating to the granting and vesting of share options. The Company did not grant any share options in Q4/2017.

### *Year Ended April 30, 2017 Compared to Year Ended April 30, 2016*

During the year ended April 30, 2017 (“fiscal 2017”), the Company reported a loss of \$1,392,714 (\$0.62 per share), compared to a loss of \$436,839 (\$0.27 per share) reported during the year ended April 30, 2016 (“fiscal 2016”). The increase in loss of \$955,875 was primarily attributed to the \$1,318,408 impairment of exploration and evaluation assets recorded in fiscal 2017. Other fluctuations of note are as follows:

- (a) Expenses decreased by \$67,496, from \$311,120 during fiscal 2016 to \$243,624 during fiscal 2017. Specific expenses of note during fiscal 2017 are as follows:
  - (i) incurred \$24,850 (2016 - \$27,900) for accounting and administrative services provided by Chase Management Ltd. (“Chase”), a private company owned by Mr. DeMare, the CFO of the Company. During the 2016 the Company was also billed \$22,342 (2016 - \$24,366) for accounting services provided by a third party for the Company’s Peruvian subsidiaries;
  - (ii) incurred \$36,000 (2016 - \$48,000) for management fees charged by Mr. Huguet as the Company’s former President and CEO;
  - (iii) incurred \$36,000 (2016 - \$36,000) for professional fees charged by Mr. DeMare, the Company’s interim CEO, CFO and Corporate Secretary, and a total of \$12,000 (2016 - \$12,000) for professional fees charged by the non-executive directors of the Company. See also “Transactions with Related Parties”;
  - (iv) incurred \$35,667 (2016 - \$53,529) for travel expenses, comprising \$35,461 (2016 - \$47,386) for monthly travel allowances of US \$3,000 provided to Mr. Huguet and \$206 (2016 - \$5,994) for reimbursements for costs incurred. As at April 30, 2017 \$35,609 remained unpaid and has been included in accounts payable and accrued liabilities;
  - (v) incurred \$9,999 for legal expenses, a decrease of \$14,401 from \$24,400 in fiscal 2016., reflecting reduced legal work required in fiscal 2017; and
  - (vi) recorded share-based compensation of \$23,364 (2016 - \$43,577) on the granting of share options to purchase 49,000 (2016 - 106,500) common shares.
- (b) The Company expenses its mineral exploration and development costs as incurred. Details of mineral exploration expenditures are as follows:

	2017 \$	2016 \$
Camp costs	7,814	11,752
Community expenses	792	12,687
Consulting	17,456	14,400
Engineering	5,939	26,284
Environmental studies	1,173	2,453
Equipment rental	2,480	2,141
Office and miscellaneous costs	4,795	5,833
Sampling	408	10,904
Site personnel	14,006	19,885
Transportation	501	2,900
Travel	1,859	4,779
VAT incurred	3,330	7,750
Recoveries	-	(10,041)
Total	<u>60,553</u>	<u>111,727</u>

- (c) Financing expense increased by \$22,761, from \$10,000 during fiscal 2016 to \$32,761 during fiscal 2017. On June 9, 2015 the Company received a \$50,000 loan from a shareholder of the Company. The loan is without interest, is unsecured and was due to be repaid on June 9, 2016. The Company issued 9,090 common shares of the Company to the lender at an ascribed value of \$10,000 which was recorded during fiscal 2016 as a financing expense. During fiscal 2017 the Company and the lender agreed to a one year extension of the due date of the loan, to a revised date of June 9, 2017. In consideration for the extension the Company issued 40,000 warrants. The value assigned to the warrants was \$32,761 and was recorded as financing expense during fiscal 2017. During fiscal 2017, 23,820 warrants were exercised. The remaining 16,180 warrants expired on May 2, 2017 without exercise.

During fiscal 2017 the Company completed a non-brokered private placement financing of 242,860 units for gross proceeds of \$170,002. The Company also issued 5,900 units, having the same terms as the units issued under the private placement, ascribed at \$5,900, as a finder's fee. In addition the Company issued 61,680 common shares of the Company on the exercise of warrants and stock options for proceeds of \$35,840.

The Company has, in the past, received ongoing advances from related parties to provide working capital to the Company. During fiscal 2017 period the Company received \$34,500 advances and repaid \$39,572 of these advances. See also "Transactions with Related Parties".

### **Financial Condition / Capital Resources**

During fiscal 2017 the Company incurred a loss of \$1,392,714 and, as at April 30, 2017, had negative working capital of \$508,954 and an accumulated deficit of \$27,797,454. 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 fiscal 2017 and 2016 the following amounts were incurred with respect to the Company's executive officers:

	2017 \$	2016 \$
Mr. Huguet - management services	36,000	48,000
Mr. Huguet - travel allowance	35,461	47,386
Mr. Huguet - share-based compensation	8,520	18,010
Mr. DeMare - professional fees	36,000	36,000
Mr. DeMare - share-based compensation	-	11,792
	<u>115,981</u>	<u>161,188</u>

As at April 30, 2017, \$316,012 (2016 - \$233,366) remained unpaid on past fees and expenses incurred.

- (ii) During fiscal 2017 the Company incurred \$24,850 (2016 - \$27,000) for accounting and administration services provided by Chase, a private company owned by Mr. DeMare. As at April 30, 2017, \$4,766 (2016 - \$1,000) 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 fiscal 2017 and 2016 advances received and repayments made were as follows:

	2017 \$	2016 \$
Mr. Huguet:		
Balance at beginning of year	41,147	-
Advances	7,500	50,278
Repayment	(32,072)	(7,500)
Foreign exchange adjustment	1,925	(1,631)
Balance at end of year	<u>18,500</u>	<u>41,147</u>

	2017 \$	2016 \$
Mr. DeMare		
Balance at beginning of year	18,919	-
Advances	27,000	30,984
Repayment	(7,500)	(12,214)
Foreign exchange adjustment	438	149
Balance at end of year	<u>38,857</u>	<u>18,919</u>
	<u>57,357</u>	<u>60,066</u>

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

(b) *Transactions with Other Related Parties*

- (i) During fiscal 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	6,000	6,000
Mr. Way - share-based compensation	-	4,717
Mr. Berka - professional fees	6,000	6,000
Mr. Berka - share-based compensation	-	4,717
	<u>12,000</u>	<u>21,434</u>

As at April 30, 2017, \$68,832 (2016 - \$71,299) remained unpaid on past fees.

- (ii) During fiscal 2017 the Company completed a non-brokered private placement financing of 242,860 units at \$0.70 per unit. During fiscal 2017 Mrs. Huguet purchased 45,817 units for \$32,072 and a private company owned by Mr. Berka purchased 5,500 units for \$3,850 of this financing.

### Risks and Uncertainties

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's material mineral properties are located in Peru and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

### Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at August 25, 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 131,950 share options outstanding with exercise prices ranging from \$0.50 to \$0.80 per share.