

AGUILA AMERICAN GOLD LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED OCTOBER 31, 2018

The following management discussion and analysis and financial review, prepared as at December 20, 2018, should be read in conjunction with the unaudited condensed interim financial statements and related notes for the six months ended October 31, 2018 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.

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.

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. In July 2017 the Company 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.

During the six months ended October 31, 2018 the Company has been diligently negotiating settlements of certain of its accounts payable and loans and advances. In November 2018 the Company paid a total of \$49,500 in settlement of \$207,012 of accounts payable and \$61,500 of loans and advances. Funding for the settlements were provided by a \$60,000 advance from the interim CEO of the Company. The Company will need to raise additional capital from the sale of common shares or other equity or debt instruments 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 other business opportunities. 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”.

Selected Financial Data

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

	Fiscal 2019		Fiscal 2018				Fiscal 2017	
	Oct. 31 2018 \$	Jul. 31 2018 \$	Apr. 30 2018 \$	Jan. 31 2018 \$	Oct. 31 2017 \$	Jul. 31 2017 \$	Apr. 30 2017 \$	Jan. 31 2017 \$
Operations:								
Revenues	Nil							
Mineral exploration costs	Nil	Nil	Nil	Nil	Nil	Nil	(7,159)	(12,932)
Expenses	(27,329)	(16,652)	(17,569)	(16,159)	(30,110)	(44,559)	(25,587)	(65,700)
Other items	219,023	7,066	7,449	(216)	1,227	41,357	(1,063,189)	25,972
Net income (loss)	191,694	(9,586)	(10,120)	(16,375)	(28,883)	(3,202)	(1,095,935)	(52,660)
Basic and diluted income (loss) per share	0.08	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.47)	(0.02)
Dividends per share	Nil							
Balance Sheet:								
Working capital (deficiency)	(349,508)	(541,202)	(531,616)	(521,496)	(505,121)	(476,238)	(508,954)	(736,501)
Total assets	15,932	21,227	25,112	28,085	32,652	61,699	19,507	1,346,576
Total long-term liabilities	Nil							

Results of Operations

Three Months Ended October 31, 2018 (“Q2”) Compared to Three Months Ended July 31, 2018 (“Q1”)

Corporate activities have been kept at minimal levels while the Company continued dealing with its accounts payable and indebtedness. During Q2 the Company reached agreements whereby it agreed to settle \$268,512 of accounts payable and loans and advances for \$49,500, resulting in a \$219,012 recovery recorded in Q2. In November 2018 the CEO provided the Company with an advance of \$60,000 and the Company then paid the \$49,500 settlement. During Q2 the Company recognized net income of \$191,694, compared to a net loss of \$9,586 for Q1, an increase in income of \$201,280, reflecting the recovery.

Six Months Ended October 31, 2018 (the “2018 period”) Compared to Six Months Ended October 31, 2017 (the “2017 period”)

During the 2018 the Company reported a net income of \$182,108 compared to a net loss of \$32,085 for the 2017 period, an increase in income of \$214,193.

During Q1 the Company’s management reviewed certain of its accounts payable and accrued liabilities and determined to reverse \$7,018 of expenses previously recognized. In Q2 the Company settled a further \$207,012 of accounts payable due to the Company’s former CEO for \$11,500. In addition a shareholder agreed to forgive \$23,500 of a \$47,000 bridge loan. Accordingly, during the 2018 period the Company recognized a \$226,030 recovery of amounts previously recorded. During the 2017 period the Company recorded a \$40,913 gain on the disposition of its Peruvian subsidiaries.

Expenses decreased by \$30,688, from \$74,669 during the 2017 period to \$43,981 during the 2018 period, primarily due to:

- (i) a decrease of \$5,400 in accounting and administration, from \$12,100 in the 2017 period to \$6,700 in the 2018 period due to minimal business activity and limited cash resources;
- (ii) regulatory fees decreased by \$3,259, to \$4,400 in the 2018 period from \$7,657 in the 2017 period. During the 2017 period the Company conducted a share consolidation which resulted in incremental regulatory fees; and
- (iii) the recognition of \$15,918 share-based compensation on the granting of share options to purchase 100,000 common shares during the 2017 period. No share options were granted during the 2018 period.

The Company did not conduct any equity financings during the 2018 and 2017 periods. During the 2017 period the Company issued 100,000 common shares of the Company on the exercise of share options for proceeds of \$20,000.

Financial Condition / Capital Resources

As at October 31, 2018, had a working capital deficiency of \$349,508 and an accumulated deficit of \$27,673,926. 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 other business opportunities. The Company will need to raise additional capital from the sale of common shares or other equity or debt instruments. 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 critical accounting estimates and sources of estimation is included in Note 3 to the April 30, 2018 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies other than:

Financial Instruments

Effective May 1, 2018, the Company adopted IFRS 9 - *Financial Instruments* ("IFRS 9") using the modified retrospective approach. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company's financial instruments at the transition date. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

A detailed summary of all the Company's significant accounting policies and accounting standards and interpretations issued but not yet effective, is included in Note 3 to the April 30, 2018 audited annual consolidated financial statements.

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*

During the 2018 and 2017 periods the following amounts were incurred with respect to the Company's sole executive officer, Mr. Nick DeMare, who holds the position of interim Chief Financial Officer and Chief Financial Officer:

	2018 \$	2017 \$
Mr. DeMare - professional fees	18,000	18,000
Mr. DeMare - share-based compensation	-	15,918
	<u>18,000</u>	<u>33,918</u>

During the 2018 period the Company negotiated the settlement of \$207,012 of accounts payable which was due to the estate of the former CEO of the Company, whereby the Company agreed to pay \$11,500 and, accordingly, recorded a recovery of \$195,512. The Company paid \$11,500 in November 2018.

As at October 31, 2018, \$174,500 (April 30, 2018 - \$359,262) was outstanding for past fees and expenses incurred.

(b) *Transactions with Other Related Parties*

(i) During the 2018 and 2017 periods the following professional fees were incurred with respect to non-executive directors of the Company:

	2018 \$	2017 \$
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, 2018 \$85,081 (April 30, 2018 - \$81,136) remained unpaid on past fees.

(ii) During the 2018 period the Company incurred \$6,700 (2017 - \$12,100) for accounting and administration services provided by Chase, a private company owned by Mr. DeMare. As at October 31, 2018 \$4,016 (April 30, 2018 - \$2,657) remained unpaid.

(iii) The Company has received ongoing advances from the Company's current and former officers to provide working capital to the Company.

	2017 \$
Balance, May 31, 2017	57,357
Advances received	10,076
Payments made	(8,890)
Foreign exchange adjustment	(543)
Balance, April 30, 2018 and October 31, 2018	<u>58,000</u>

In November 2018 the Company received a further \$60,000 advance from a private company owned by Mr. DeMare and repaid \$14,500 of advances owing to the estate of Mr. John Huguet, the former CEO of the Company.

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

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at December 20, 2018, there were 2,424,985 issued and outstanding common shares, 342,500 warrants outstanding with an exercise price of \$0.50 per share and 49,500 share options outstanding with an exercise price of \$0.50 per share.