

AGUILA AMERICAN GOLD LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED OCTOBER 31, 2019

The following management discussion and analysis and financial review, prepared as at December 5, 2019, should be read in conjunction with the unaudited condensed interim financial statements and related notes for the six months ended October 31, 2019 of Aguila American Gold Limited (“Aguila” or the “Company”). The following disclosure and associated 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 completed the sale of 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 and is actively reviewing prospective mineral property opportunities. 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.

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 interim financial statements of the Company.

	Fiscal 2020		Fiscal 2019				Fiscal 2018	
	Oct. 31 2019 \$	Jul. 31 2019 \$	Apr. 30 2019 \$	Jan. 31 2019 \$	Oct. 31 2018 \$	Jul. 31 2018 \$	Apr. 30 2018 \$	Jan. 31 2018 \$
Operations:								
Revenues	Nil							
Expenses	(29,339)	(56,982)	(19,827)	(42,725)	(27,329)	(16,652)	(17,569)	(16,159)
Other items	90	42	56	(1,130)	219,023	7,066	7,449	(216)
Net loss	(29,249)	(56,940)	(19,771)	(43,855)	191,694	(9,586)	(10,120)	(16,375)

	Fiscal 2020		Fiscal 2019				Fiscal 2018	
	Oct. 31 2019 \$	Jul. 31 2019 \$	Apr. 30 2019 \$	Jan. 31 2019 \$	Oct. 31 2018 \$	Jul. 31 2018 \$	Apr. 30 2018 \$	Jan. 31 2018 \$
Basic and diluted income (loss) per share	(0.01)	(0.02)	(0.01)	(0.02)	0.08	(0.00)	(0.00)	(0.01)
Dividends per share	Nil							
Balance Sheet:								
Working capital (deficiency)	(304,792)	(275,543)	(342,643)	346,872	(349,508)	(541,202)	(531,616)	(521,496)
Total assets	23,190	36,299	27,993	17,635	15,932	21,227	25,112	28,085
Total long-term liabilities	Nil							

Results of Operations

Corporate activities have been kept at minimal levels while the Company reviews business opportunities and completes its recapitalization.

Three Months Ended October 31, 2019 Compared to Three Months Ended July 31, 2019

During the three months ended October 31, 2019 (“Q2”) the Company recognized a net loss of \$29,249, compared to a net loss of \$56,940 for the three months ended July 31, 2019 (“Q1/2020”), a decrease in loss of \$27,691, primarily due to the Company recognizing share-based compensation of \$38,220 on the granting of 294,000 share options during Q1. No share options were granted during Q2.

Six Months Ended October 31, 2019 Compared to Six Months Ended October 31, 2018

During the six months ended October 31, 2019 (the “2019 period”) the Company reported a loss of \$86,189 compared to income of \$182,108 for the 2018 period, an increase in loss of \$268,297 primarily due to the Company recognizing a \$226,030 recovery of amounts previously recorded during the 2018 period. During the 2018 period management reviewed certain of its accounts payable and accrued liabilities and as a result the Company:

- (i) reversed \$7,018 of expenses previously recognized;
- (ii) settled a further \$207,012 of accounts payable due to the Company’s former CEO for \$11,500; and
- (iii) negotiated with a shareholder to forgive \$23,500 of a \$47,000 bridge loan.

In addition, during the 2019 period the Company recognized share-based compensation of \$38,220 on the granting of 294,000 share options. No share options were granted during the 2018 period.

Excluding share-based compensation, expenses increased slightly by \$4,120, from \$43,981 during the 2018 period to \$48,101 during the 2019 period.

Financings

No financing were conducted during the 2019 or 2018 period.

During the 2019 period the Company issued a total of 434,000 common shares on the exercise of warrants and share options for proceeds of \$85,820.

Financial Condition / Capital Resources

As at October 31, 2019, had a working capital deficiency of \$304,792 and an accumulated deficit of \$27,823,741. 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, 2019 audited annual financial statements.

Changes in Accounting Policies

The Company adopted all of the requirements of IFRS 16 - *Leases* ("IFRS 16"), effective May 1, 2019.

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

There was no impact on the Company's condensed interim financial statements upon the adoption of this new standard.

A detailed summary of all the Company's other significant accounting policies and accounting standards and interpretations issued but not yet effective, is included in Note 3 to the April 30, 2019 audited annual 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 2019 and 2018 period the following amounts were incurred with respect to the Company's sole executive officer, Mr. Nick DeMare, who holds the position of interim Chief Executive Officer and Chief Financial Officer:

	2019 \$	2018 \$
Mr. DeMare - professional fees	18,000	18,000
Mr. DeMare - share-based compensation	14,820	-
	<u>32,820</u>	<u>18,000</u>

As at October 31, 2019 \$154,350 (April 30, 2019 - \$160,650) was outstanding for past fees.

(b) *Transactions with Other Related Parties*

- (i) During the 2019 and 2018 period the following professional fees were incurred with respect to non-executive directors of the Company:

	2019 \$	2018 \$
Mr. Way - professional fees	3,000	3,000
Mr. Berka - professional fees	3,000	3,000
Mr. Way - share-based compensation	7,800	-
Mr. Berka - share-based compensation	7,800	-
	<u>18,600</u>	<u>6,000</u>

As at October 31, 2019 \$69,482 (April 30, 2019 - \$91,082) was outstanding for past fees.

- (ii) During the 2019 period the Company incurred \$9,550 (2018 - \$6,700) for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private company owned by Mr. DeMare. As at October 31, 2019 \$526 (April 30, 2019 - \$4,924) remained unpaid.

During the 2019 period the Company also recorded \$7,800 share-based compensation for share options granted to Chase.

- (iii) The Company has received ongoing advances from private corporations controlled or affiliated with Mr. DeMare. These advances currently are without specific terms of interest or repayment. During the 2019 period the Company repaid \$13,500 of the advances and, as at October 31, 2019, \$100,000 remained outstanding.

Outstanding Share Data

The Company’s authorized share capital is unlimited common shares without par value. As at December 5, 2019, there were 3,178,985 issued and outstanding common shares, 342,500 warrants outstanding with an exercise price of \$0.50 per share and 60,000 share options outstanding with an exercise price of \$0.23 per share.