

AGUILA AMERICAN GOLD LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED APRIL 30, 2019

The following management discussion and analysis and financial review, prepared as at August 26, 2019, should be read in conjunction with the audited financial statements and related notes for the years ended April 30, 2019 and 2018 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.

During fiscal 2019 the Company had 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 payable. Funding for the settlements was primarily provided by \$70,000 of advances from a private company owned by the interim CEO of the Company and \$28,200 from the exercise of stock options. 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 "Financings" and "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 audited annual consolidated financial statements of the Company.

	Years Ended April 30,		
	2019 \$	2018 \$	2017 \$
Operations:			
Revenues	Nil	Nil	Nil
Mineral exploration costs	Nil	Nil	(60,553)
Expenses	(106,533)	(108,397)	(243,624)
Other items	225,015	49,817	(1,088,537)
Net income (loss)	118,482	(58,580)	(1,392,714)
Basic and diluted income (loss) per share	0.05	(0.02)	(0.62)
Dividends per share	Nil	Nil	Nil
Balance Sheet:			
Working (deficiency) capital	(342,643)	(531,616)	(508,954)
Total assets	27,993	25,112	19,507
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 2019				Fiscal 2018			
	Apr. 30 2019 \$	Jan. 31 2019 \$	Oct. 31 2018 \$	Jul. 31 2018 \$	Apr. 30 2018 \$	Jan. 31 2018 \$	Oct. 31 2017 \$	Jul. 31 2017 \$
Operations:								
Revenues	Nil							
Mineral exploration costs	Nil							
Expenses	(19,827)	(42,725)	(27,329)	(16,652)	(17,569)	(16,159)	(30,110)	(44,559)
Other items	56	(1,130)	219,023	7,066	7,449	(216)	1,227	41,357
Net income (loss)	(19,771)	(43,855)	191,694	(9,586)	(10,120)	(16,375)	(28,883)	(3,202)
Basic and diluted income (loss) per share	(0.01)	(0.02)	0.08	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)
Dividends per share	Nil							
Balance Sheet:								
Working capital (deficiency)	(342,643)	346,872	(349,508)	(541,202)	(531,616)	(521,496)	(505,121)	(476,238)
Total assets	27,993	17,635	15,932	21,227	25,112	28,085	32,652	61,699
Total long-term liabilities	Nil							

Results of Operations

Corporate activities have been kept at minimal levels during fiscal 2019 and 2018 while the Company reviews business opportunities and completes its recapitalization.

Three Months Ended April 30, 2019 Compared to Three Months Ended January 31, 2019

During the three months ended April 30, 2019 ("Q4") the Company recognized a net loss of \$19,771, compared to a net loss of \$43,855 for the three months ended January 31, 2019 ("Q3"), a decrease in loss of \$24,084, primarily due to:

- (i) during Q3 the Company recognized share-based compensation of \$18,291 on the granting of 120,000 share options. No options were granted during Q4; and
- (ii) during Q4 accounting and administration costs decreased by \$2,800, from \$6,700 incurred during Q3 to \$3,900 incurred during Q4.

Three Months Ended April 30, 2019 Compared to Three Months Ended April 30, 2018

During the three months ended April 30, 2019 (“Q4/2019”) the Company reported a loss of \$19,771, compared to a loss of \$10,120 for the three months ended April 30, 2018 (“Q4/2018”), an increase in loss of \$9,651 primarily due to a recovery of \$7,107 recorded by the Company during Q4/2018 relating to costs recorded in prior periods. No recoveries were recorded during Q4/2019. In addition during Q4/2019 the Company recorded accounting and administration costs of \$3,900 compared to \$2,933 during Q4/2018.

Year Ended April 30, 2019 Compared to Year Ended April 30, 2018

During the year ended April 30, 2019 (“fiscal 2019”), the Company reported income of \$118,482, compared to a loss of \$58,580 reported during the year ended April 30, 2018 (“fiscal 2018), an increase of \$177,062.

During fiscal 2019 the Company’s management reviewed certain of its accounts payable and accrued liabilities and determined to reverse \$5,788 of expenses previously recognized, settled a further \$207,012 of accounts payable due to the Company’s former CEO for \$11,500 and a shareholder agreed to forgive \$23,500 of a \$47,000 bridge loan of which the remaining \$23,500 was paid in full. Accordingly, during fiscal 2019 the Company recognized a \$224,800 recovery of amounts previously recorded. During fiscal 2018 the Company recorded a \$40,913 gain on the disposition of its Peruvian subsidiaries and recorded a recovery of \$7,107 relating to costs recorded in prior periods.

Expenses decreased overall by \$1,864, from \$108,397 during fiscal 2018 to \$106,533 during fiscal 2019. Significant fluctuations were:

- (i) office and administration expenses decreased by \$2,751, from \$3,172 in fiscal 2018 to \$421 in fiscal 2019. During fiscal 2018 the Company’s former Peruvian subsidiaries incurred \$2,041 for office expenditures;
- (ii) regulatory fees decreased by \$2,748, to \$7,918 in fiscal 2019 period from \$10,666 in the 2018 period. During fiscal 2018 period the Company conducted a share consolidation which resulted in incremental regulatory fees; and
- (iii) share-based compensation increased \$2,373, from \$15,918 in fiscal 2018 on the granting of 100,000 share options to \$18,291 in fiscal 2019 on the granting of 120,000 share options.

Financings

During fiscal 2019 the Company completed a non-brokered private placement of 200,000 units for \$24,000. In addition the Company issued 120,000 common shares on the exercise of share options for proceeds of \$28,200. Proceeds will be used for working capital purposes.

During fiscal 2018 the Company did not conduct any equity financings. During fiscal 2018 the Company issued 100,000 common shares on the exercise of share options for proceeds of \$20,000.

Financial Condition / Capital Resources

As at April 30, 2019, had a working capital deficiency of \$342,643 and an accumulated deficit of \$27,737,552. 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 IFRS 9 - *Financial instruments* ("IFRS 9") and IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15") effective April 30, 2018.

- (i) IFRS 9 - This new accounting pronouncement, which is effective for periods beginning on or after January 1, 2018, establishes two primary measurement categories for financial assets - amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics and eliminates existing held-to-maturity, available-for-sale and loans and receivable categories.

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

- (ii) IFRS 15 - This new accounting pronouncement, which is effective for periods beginning on or after January 1, 2018, establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

There was no impact on the Company's 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*

- (i) During fiscal 2019 and 2018 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	36,000	36,000
Mr. DeMare - share-based compensation	18,291	15,918
	<u>54,291</u>	<u>51,918</u>

As at April 30, 2019, \$160,650 (2018 - \$359,262) was outstanding for past fees and expenses incurred.

- (ii) During fiscal 2019 the Company negotiated the settlement of \$207,012 of accounts payable which was due to the estate of the former CEO of the Company by paying the estate \$11,500. The Company accordingly, recorded a recovery of \$195,512. The Company also repaid \$14,500 of advances owing to the estate of the former CEO of the Company.

(b) *Transactions with Other Related Parties*

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

	2019 \$	2018 \$
Mr. Way - professional fees	6,000	6,000
Mr. Berka - professional fees	6,000	6,000
	<u>12,000</u>	<u>12,000</u>

As at April 30, 2019 \$91,082 (2018 - \$81,136) remained unpaid on past fees.

- (ii) During fiscal 2019 the Company incurred \$17,300 (2018 - \$17,533) for accounting and administration services provided by Chase, a private company owned by Mr. DeMare. As at April 30, 2019 \$4,924 (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.

	\$
Balance, May 31, 2017	57,357
Advances received	10,076
Payments made	(8,891)
Foreign exchange adjustment	<u>(542)</u>
Balance, April 30, 2018	58,000
Advances received	70,000
Payments made	<u>(14,500)</u>
Balance, April 30, 2019	<u>113,500</u>

During fiscal 2019 the Company received an additional \$70,000 of advances 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 August 26, 2019, there were 3,178,985 issued and outstanding common shares, 542,500 warrants outstanding with exercise prices ranging from \$0.16 per share to \$0.50 per share and 60,000 share options outstanding with an exercise price of \$0.23 per share.