

AGUILA AMERICAN GOLD LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JULY 31, 2020

The following management discussion and analysis and financial review, prepared as at September 29, 2020, should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three months ended July 31, 2020 and 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.

COVID-19

The global outbreak of a novel coronavirus pandemic identified as "COVID-19", has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries in which the Company may conduct future mineral interests or business acquisitions to fight the virus.

Company Overview

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "AGL", the OTCBB under the symbol "AGLAF" and the Frankfurt Stock Exchange under the symbol "AGP". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia. The Company is a junior mineral exploration company. On July 27, 2020 the Company entered into a mutual understanding and agreement (the "MOU") with Mawson Gold Limited ("Mawson"), a publicly traded company with a director in common, whereby Mawson has granted the Company the right to earn up to an 80% interest in the WUSA Property. The Company may earn an initial 51% interest by funding a minimum of US \$200,000 in exploration expenditures by December 31, 2020 and payment of US \$25,000 (paid) option lease payment to the optionor. The Company can then earn an additional 29% interest by funding a further US \$1,000,000 in exploration expenditures by December 31, 2022 and making all required option lease payments.

During the three months ended July 31, 2020 the Company completed private placement financings totalling \$500,025. On September 25, 2020 the Company completed a further financing of \$2,679,000.

Corporate Update

On July 23, 2020 the Company announced the appointment of Mr. Mark Saxon as Director, President and Chief Executive Officer (“CEO”) of the Company. Mr. Saxon replaces Mr. Nick DeMare as interim CEO, who remains as a Director and Chief Financial Officer (“CFO”) of the Company.

Mr. Saxon has more than 25 years of international experience in the resources industry, representing junior and senior companies. An Honours BSc graduate in Geology from the University of Melbourne, a Fellow of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, Mr. Saxon has also received a Graduate Diploma of Applied Finance and Investment through the Financial Services Institute of Australasia.

As of the date of this MD&A the officers and directors of the Company are as follows:

Mark Saxon	- CEO, President and Director
Nick DeMare	- CFO, Corporate Secretary, Director
Dusan Berka	- Director
Blair Way	- Director

Selected Financial Data

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

	Fiscal 2021	Fiscal 2020				Fiscal 2019		
	Jul. 31 2020 \$	Apr. 30 2020 \$	Jan. 31 2020 \$	Oct. 31 2019 \$	Jul. 31 2019 \$	Apr. 30 2019 \$	Jan. 31 2019 \$	Oct. 31 2018 \$
Operations:								
Revenues	Nil							
Expenses	(34,846)	(20,408)	(17,581)	(29,339)	(56,982)	(19,827)	(42,725)	(27,329)
Other items	(1,279)	(3,310)	(310)	90	42	56	(1,130)	219,023
Net (loss) income	(36,125)	(23,718)	(17,891)	(29,249)	(56,940)	(19,771)	(43,855)	191,694
Basic and diluted income (loss) per share	(0.01)	(0.00)	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)	0.08
Dividends per share	Nil							
Balance Sheet:								
Working capital (deficiency)	94,301	(332,601)	(308,467)	(304,792)	(275,543)	(342,643)	(346,872)	(349,508)
Total assets	309,120	32,105	43,345	23,190	36,299	27,993	17,635	15,932
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 July 31, 2020 Compared to Three Months Ended April 30, 2020

During the three months ended July 31, 2020 (“Q1/2021”) the Company recognized a net loss of \$36,125 compared to a net loss of \$23,718 for the three months ended April 30, 2020 (“Q4/2020”), an increase in loss of \$12,407, primarily due to an increase in expenses from \$20,408 during Q4/2020 to \$34,846 during Q1/2021.

Three Months Ended July 31, 2020 Compared to Three Months Ended July 31, 2019

During the three months ended July 31, 2020 (the “2020 period”) the Company reported a loss of \$36,125, compared to a loss of \$56,940 for the three months ended July 31, 2019 (the “2019 period”), a decrease in loss of \$20,815 due a decrease in expenses from \$56,982 during the 2019 period to \$34,846 during the 2020 period. Expenses of note are as follows:

- (i) the Company recognized share-based compensation of \$38,220 on the granting of 294,000 share options during the 2019 period. No share options were granted during the 2020 period;
- (ii) during the 2020 period the Company incurred \$6,667 for auditing of the Company's year-end financials compared to \$nil during the 2019 period due to the timing of billings;
- (iii) during the 2020 period the Company incurred \$10,000 for accounting and administration compared to \$4,250 during the 2019 period, reflecting the increase in corporate activities in the 2020 period.

Investing Activities

In July 2020 the Company was granted the right to earn up to an 80% interest in the WUSA Property. See "Company Overview", The Company has made the \$33,748 (US \$25,000) option lease payment.

Financings

2020 Period

On June 11, 2020 the Company completed a non-brokered private placement of 3,000,000 units for proceeds of \$300,000 and on June 25, 2020 the Company completed a further non-brokered private placement of 1,905,000 units for proceeds of \$200,025.

The proceeds from the above financing are being used for general working capital purposes.

2019 Period

No financing were conducted during the 2019 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 which were used for working capital purposes.

Advances

Advances had been previously provided from private companies controlled or affiliated with the Company's CFO. Effective January 20, 2020 the Company agreed to commence accruing interest at the rate of 12% per annum. During the three months ended July 31, 2020 the Company repaid \$120,229, representing the \$115,000 of principal and \$5,229 of accrued interest.

Financial Condition / Capital Resources

As at July 31, 2020, had working capital of \$94,301 and an accumulated deficit of \$27,901,475. 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. See also "COVID-19".

On September 25, 2020 the Company completed a non-brokered private placement of 11,907,556 units at \$0.225 per unit, for total proceeds of \$2,679,200.

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, 2020 audited annual financial statements.

Changes in Accounting Policies

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, 2020 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 2020 and 2019 period the following amounts were incurred with respect to the Company's executive officers:

	2020 \$	2019 \$
Mr. Saxon - professional fees ⁽¹⁾	1,580	-
Mr. DeMare - professional fees ⁽²⁾	9,000	9,000
Mr. DeMare - share-based compensation	-	14,830
	<u>10,580</u>	<u>23,820</u>

(1) Effective July 23, 2020 Mr. Saxon was appointed CEO and President.

(2) Effective July 23, 2020 Mr. DeMare resigned as interim CEO but remains as CFO.

As at July 31, 2020 \$127,580 (April 30, 2020 - \$170,100) was outstanding for past fees.

(b) *Transactions with Other Related Parties*

(i) During the 2020 and 2019 period the following professional fees were incurred with respect to non-executive directors of the Company:

	2020 \$	2019 \$
Mr. Way - professional fees	1,500	1,500
Mr. Berka - professional fees	1,500	1,500
Mr. Way - share-based compensation	-	7,800
Mr. Berka - share-based compensation	-	7,800
	<u>3,000</u>	<u>18,600</u>

As at July 31, 2020 \$49,766 (April 30, 2020 - \$75,482) was outstanding for past fees.

(ii) During the 2020 period the Company incurred \$10,000 (2019 - \$4,250) for accounting and administration services provided by Chase Management Ltd. ("Chase"), a private company owned by Mr. DeMare.

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. During fiscal 2020 the Company received further advances of \$48,500 and repaid \$47,000. Effective January 20, 2020 the Company agreed to commence accruing interest at the rate of 12% per annum. During the three months ended July 31, 2020 the Company recorded \$1,373 (fiscal 2020 - \$3,856) interest expense and repaid the advances and accrued interest.
- (iv) On June 11, 2020 directors and officer purchased a total of 1,205,000 units of a 3,000,000 unit private placement completed at \$0.10 per unit. On June 25, 2020 directors and officer also purchased a total of 1,260,000 units of a 1,905,000 unit private placement completed at \$0.105 per unit.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at September 29, 2020, there were 20,201,541 issued and outstanding common shares, 8,748,778 warrants outstanding with a exercise prices ranging from \$0.13 to \$0.50 per share and 811,000 share options outstanding with exercise prices of \$0.32 per share and \$0.40 per share.