

AGUILA AMERICAN GOLD LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2020

The following management discussion and analysis and financial review, prepared as at December 18, 2020, should be read in conjunction with the unaudited condensed interim financial statements and related notes for the six months ended October 31, 2020 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 or the Company's website at www.aguila.gold and readers are urged to review these materials, including the technical report filed with respect to the Company's mineral property.

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". On December 16, 2020 the Company upgraded its listing from the OTCBB to the OTCQB under the same symbol "AGLAF". 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 "LOI") 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 Gold Project. 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. The Company has also agreed to make all remaining option lease payments. See "Exploration Project - WUSA Gold Project - Agreements".

During the six months ended October 31, 2020 the Company completed private placement financings totalling \$3,179,225. (See "Financings")

Officer and Directors

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

Exploration Project - WUSA Gold Project

As of the date of this MD&A the Company has been granted the right to earn up to an 80% interest in the WUSA Gold Project located in the state of Oregon, USA.

Agreements

Effective December 27, 2017, as amended, Mawson entered into an agreement (the “WUSA Option Agreement”) with a third-party private landholder (the “Landholder”) whereby it was granted the option to lease and to conduct exploration on mineral rights (the “WUSA Gold Project”) located in Oregon, USA. Pursuant to the agreement Mawson had agreed to pay an annual option to lease payments (adjusted for inflation) of:

- Option Year 1 - US \$100,000 (paid);
- Option Year 2 - payments of US \$25,000 (the “August Payment”) on or before August 1, 2020 and US \$75,000 on or before February 1, 2021; and
- Option Year 3 - US \$25 per acre. The option lease payment will be determined by the acreage.

Mawson was also required to expend minimum annual exploration expenditures as follows:

- Option Year 1 - US \$500,000, which was met as at November 30, 2018;
- Option Year 2 - US \$750,000, of which a minimum of US \$200,000 shall be completed on or before December 31, 2020, and the remaining US \$550,000 on or before December 31, 2021;
- Option Year 3 - US \$1,000,000; and
- Option Year 4 - US \$1,000,000.

On July 27, 2020 Mawson entered into the LOI agreement with the Company, whereby it granted the Company the right to earn up to an 80% interest in the WUSA Gold Project. The Company may earn an initial 51% interest by funding a minimum of US \$200,000 in exploration expenditures by December 31, 2020 and making the August Payment (paid) to the Landholder. The Company can then earn an additional 29% interest by funding a further US \$1,000,000 in exploration expenditures by December 31, 2022. The Company has also agreed to make all the remaining option lease payments and exploration expenditures required under the WUSA Option Agreement.

On the Company acquiring an 80% interest, the 20% holding of Mawson will be non-dilutable until a decision to mine, and Mawson shall be free carried by loans from the Company, repayable from production cash flows.

The Company and Mawson have a director in common.

Technical Report Summary

Overview

Mr John Rice, MSc, P.Geo., AIPG, consulting geologist (the “Author”), prepared the technical report as a National Instrument 43-101 (“NI 43-101”) Technical Report (the “Technical Report”) on the WUSA Gold Project (the “Project”) with an effective date of September 4, 2010. The Project is located in the State of Oregon, USA, about 60 km south of the city of Eugene and 130km south of the capital, Salem.

The Technical Report was prepared as an NI 43-101 Technical Report for the Company to be provide an initial technical assessment and summary of the WUSA Gold Project and in support of the LOI agreement with Mawson.

Property Description and Ownership

The WUSA Gold Project lies immediately east and south of the township of Cottage Grove within the Western Cascades, central-western Oregon, USA. The property lies on the boundary of the Lane and Douglas Counties, and is accessible with a network of unpaved and forestry roads. Principal road networks originate from the Interstate 5 Freeway that marks the western boundary of the WUSA Gold Project, and the Row River Road that travels south from Cottage Grove towards Dorena.

The WUSA Gold Project is characterised by rugged vegetated mountains with deep incision by substantial watercourses. The area has a long history of forest harvesting, which has provided a robust gravel road network, even through areas of steep terrain.

The Company has gained future rights to the WUSA Gold Project through the LOI to form a Joint Venture with Mawson. Mawson's interest in the Project is held by its wholly-owned Canadian subsidiary M2 Resources Corp, which is the 100% owner of Mawson Resources USA Inc. ("Mawson USA"), a US registered corporation.

The WUSA Gold Project is the subject of a pre-existing agreement between Mawson USA and the Landholder. In 2017, the Landholder invited Mawson USA to explore a defined area of their land, their Bureau of Land Management claims, and the public or private land that surrounds or lies within their landholding, subject to various conditions. Mawson USA received confidential data from the Landholder, gained access rights for surface sampling, and could select smaller priority areas for additional detailed work under the WUSA Option Agreement. Mawson completed regional exploration and data collection, and transferred a number of areas to the WUSA Option Agreement.

Through the Joint Venture with Mawson, the Company has gained rights to the priority areas, the confidential data, rights to explore the large forestry area, and rights to select additional smaller priority areas for detailed work. The Company must complete certain minimum exploration to ensure the Joint Venture with Mawson and the WUSA Option Agreement with the Landholder remain in good standing.

Exploration History

The WUSA Gold Project and surrounding region is very under-explored in comparison to similar North American cordilleran terranes. The mineral and land rights have been held as a contiguous parcel by one third party landholder for at least 50 years. The Landholder has not completed significant modern exploration prior to the agreement with Mawson and has not permitted exploration to be undertaken on their land.

Very limited exploration was undertaken by the Landholder across the WUSA Gold Project area to evaluate the potential for undiscovered mineralized systems. Sporadic geological mapping and low level prospecting was completed across the WUSA Gold Project area during the late 1980's and early 1990's, culminating in the drilling of 10 percussion drillholes at the Walker Creek prospect.

Following the establishment of an agreement with the Landholder, Mawson undertook a coherent exploration program during 2018 to test the broader WUSA Gold Project and follow up on priority prospect areas. Mawson undertook a variety of regional and prospect-based work programs including geochemistry and geophysics, with a focus on the Scorpion-Cinnabar and Huckleberry areas. Both prospects were drill tested, with the one hole at Scorpion-Cinnabar intersecting gold mineralization with widespread alteration and anomalous pathfinder metals indicative of potential for a low-sulphidation epithermal system.

Geology and Mineralization

The Western Cascades, where the WUSA Gold Project is located, lie between the High Cascade Range and Willamette Valley. Geologically the region is generally comprised of late Eocene to late Miocene andesites, basaltic andesites, pyro-volcaniclastic rocks and, to a lesser extent, of dacite, trachyte, and rhyolite.

The extensive development of pyroclastic rocks, widespread alteration and hydrous alteration phases in the Western Cascades evidences the hydrous magmatic setting and the formation in a subduction-related environment. The thickness of volcanic accumulation in the Western Cascades exceeds 6,000m. Interbedded sedimentary rocks unrelated to volcanism constitute a minor component of the Western Cascades, while small dioritic intrusions are widespread and commonly cluster in the larger mining districts.

Most base and precious metal occurrences in rocks of the Western Cascades are typically composed of economic sulphide minerals within quartz veins or shear zones, and contain gold with or without silver, lead, zinc, copper, and (or) antimony. Vein textures and alteration assemblages suggest classification as polymetallic vein deposits or epithermal based on the host rock, commodities present, and mineralogy.

While the WUSA Gold Project area remains poorly studied, the geological setting, hydrothermal alteration, styles of gold-silver mineralization, and close spatial and timing association with substantial hot-spring mercury deposits (Black Butte), suggests the region has potential for high level low-sulfidation and epithermal precious metal deposits.

A number of prospect areas have been defined within the WUSA Project area. The Walker Creek, Huckleberry and Scorpion-Cinnabar prospects are all associated with intense epithermal style mineralization, while Walker Creek and Scorpion-Cinnabar both demonstrate gold in drilling.

Conclusions and Recommendations

Through Joint Venture, the Company has gained access and prospective title to a large area of privately owned mineral rights within the Western United States. The work completed by the Landholder and Mawson, though sparse, has demonstrated bedrock gold mineralization in areas of intense epithermal hydrothermal style alteration.

Consistent surface exploration has never been completed suggesting the potential for discovery near surface and at relatively low cost. The volume of drilling is extremely low considering geological setting, accounted for by the limited past access granted by the Landholder.

Based on the historical information reviewed to date, the best opportunities for future exploration success and potential development toward mining, are the Scorpion-Cinnabar and Walker Creek prospects. Both sites encountered gold in bedrock drilling which has not been followed up.

It is the opinion of the Author that additional exploration expenditures are warranted on the WUSA Gold Project. General recommendations applying to the regional areas are provided, along with proposed exploration programs and budget estimates for the more advanced prospects.

Recommendation for Phase 1 and 2 exploration across the WUSA Gold Project totals approximately \$1,250,000.

Exploration Activities Completed by the Company

On November 24, 2020 the Company announced that it had completed the initial drill hole, and on December 15, 2020, announced the completion of the remaining three holes. The four diamond core holes achieved planned target depths for a total of 649 meters. The drilling crew is now demobilizing from site.

The WUSA drill program tested the Scorpion-Cinnabar prospect, one of four prospects identified at the WUSA Gold Project to date. Scorpion-Cinnabar is defined by a 2.2 km long and up to 400-metre-wide gold and arsenic in soil geochemical anomaly that trends south of the historic Black Butte epithermal mercury mine. An association between mercury and epithermal gold mineralization is very common, where gold may lie at depth or along strike from the mercury enriched zone.

Drilling used existing forest road access and tested a strike length of 1.2 km along the gold-arsenic anomaly trend.

Table 1: Drillhole Collar co-ordinates (NAD27 / UTM zone 10N)

DRILL HOLE	EAST	NORTH	AZIMUTH	DIP	TOTAL DEPTH (M)
SDH-02-20	495319	4822677	293	-80	119.0
SDH-03-20	495502	4822583	275	-50	240.0
SDH-04-20	495371	4821361	278	-50	237.0
SDH-05-20	495236	4821025	268	-65	52.0

All holes intersected andesite volcanics and volcanoclastics with regular fault, breccia, altered and oxidized zones that correspond to hydrothermal fluid pathways and may be associated with gold-silver mineralization.

Drill core is being geologically and structurally logged, photographed, and prepared for sampling. Due to a heavy sample backlog and COVID-19 work restrictions, analytical laboratory turnaround is slow and results are not anticipated until Q1 2021.

Regional targeting and exploration of other prospect areas is now being planned for the new year, including remote sensing and stream sediment and soil sampling that has only been locally completed across the WUSA area. The WUSA Gold Project provides multiple opportunities for discovery, covering approximately 70,000 ha of land that has seen very little modern exploration. The land and mineral rights have been held by a single landholder for more than 150 years over which time mineral rights have never been optioned to third parties.

Qualified Person

The qualified person for the Company's projects, Mr. Mark Saxon, the Company's CEO, a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists, has reviewed and verified the contents of this document.

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	
	Oct. 31 2020 \$	Jul. 31 2020 \$	Apr. 30 2020 \$	Jan. 31 2020 \$	Oct. 31 2019 \$	Jul. 31 2019 \$	Apr. 30 2019 \$	Jan. 31 2019 \$
Operations:								
Revenues	Nil							
Expenses	(319,201)	(34,846)	(20,408)	(17,581)	(29,339)	(56,982)	(19,827)	(42,725)
Other items	4,523	(1,279)	(3,310)	(310)	90	42	56	(1,130)
Net loss	(314,678)	(36,125)	(23,718)	(17,891)	(29,249)	(56,940)	(19,771)	(43,855)
Basic and diluted loss per share	(0.02)	(0.01)	(0.00)	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)
Dividends per share	Nil							
Balance Sheet:								
Working capital (deficiency)	2,567,943	94,301	(332,601)	(308,467)	(304,792)	(275,543)	(342,643)	(346,872)
Total assets	2,756,053	309,120	32,105	43,345	23,190	36,299	27,993	17,635
Total long-term liabilities	Nil							

Results of Operations

Corporate activities had been maintained at minimal levels while the Company reviewed business opportunities and completed its recapitalization. Expenditures increased in July 2020 as the Company completed due diligence and finalized its LOI agreement with Mawson.

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

During the three months ended October 31, 2020 ("Q2") the Company incurred a net loss of \$314,678 compared to a net loss of \$36,125 for the three months ended July 31, 2020 ("Q1"), an increase in loss of \$278,553, primarily due to an increase in expenses, from \$34,846 during Q1 to \$319,201 during Q2. The increases in expenses are as a result of the Company completing the agreement to earn up to an 80% interest in the WUSA Gold Project and increased corporate activities.

Six Months Ended October 31, 2020 Compared to Six Months Ended October 31, 2019

During the six months ended October 31, 2020 (the "2020 period") the Company reported a loss of \$350,803, compared to a loss of \$86,189 for the six months ended October 31, 2019 (the "2019 period"), an increase in loss of \$264,482 due to an increase in expenses from \$86,321 during the 2019 period to \$354,047 during the 2020 period.

Specific general and administrative expenses of variance between the 2020 and 2019 periods are noted below. During the 2020 period the Company:

- (i) incurred \$24,468 for corporate development compared to \$nil during the 2019 period. During the 2020 period the Company engaged several firms to conduct market awareness programs;
- (ii) incurred \$28,734 for legal fees compared to \$nil during the 2019 period. During the 2020 period the Company incurred significant legal fees with respect to the drafting of the LOI agreement, regulatory filings and other various corporate services;
- (iii) incurred \$20,108 for professional fees compared to \$nil during the 2019 period. During the 2020 period the Company engaged advisors to assist with corporate services;
- (iv) incurred \$46,580 for executive and director compensation compared to \$24,000 during the 2019 period. Effective July 23, 2020 the Company engaged Mr. Mark Saxon, as its CEO and President at a current remuneration of \$7,000 per month. Mr. Saxon was compensated \$22,580 during the 2020 period. See also "Transactions with Related Parties";
- (v) recognized share based compensation of \$182,190 (2019 - \$38,220) on the granting of 814,000 (2019 - 294,000) share options; and
- (vi) incurred \$28,100 (2019 - \$9,550) for accounting and administrative services required for the increase in corporate activities and property acquisition.

Investing Activities

In July 2020 the Company was granted the right to earn up to an 80% interest in the WUSA Gold Property. See "Exploration Project - WUSA Gold Project". During the 2020 period the Company made the \$33,748 (US \$25,000) option lease payment and incurred \$47,734 for exploration and development activities.

Financings

2020 Period

During the 2020 period the Company completed financings totalling \$3,179,225 as follows:

- (i) on June 11, 2020 a non-brokered private placement of 3,000,000 units for proceeds of \$300,000;
- (ii) on June 25, 2020 a non-brokered private placement of 1,905,000 units for proceeds of \$200,025.
- (iii) on September 25, 2020 a non-brokered private placement of 11,907,556 units for proceeds of \$2,679,200.

The net proceeds will be used for exploration and development activities on the WUSU Gold Project and general working capital.

During the 2020 period the Company issued 150,000 common shares on the exercise of warrants for proceeds of \$20,400.

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 six months ended October 31, 2020 the Company repaid \$120,229, representing the \$115,000 of principal and \$5,229 of accrued interest.

Financial Condition / Capital Resources

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the option lease payments and exploration of mineral properties. Management reviews its capital

management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As at October 31, 2020, the Company had working capital of \$2,567,943 and considers that it has adequate resources to maintain anticipated levels of corporate administration and budgeted exploration activities on the WUSA Gold Project for the next twelve months. The Company's operations are typically funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. 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".

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 compensation was incurred with respect to the Company's executive officers:

	2020 \$	2019 \$
Mr. Saxon - professional fees ⁽¹⁾	22,580	-
Mr. DeMare - professional fees ⁽²⁾	<u>18,000</u>	<u>18,000</u>
	<u>40,580</u>	<u>18,000</u>

(1) Effective July 23, 2020 Mr. Saxon was appointed CEO and President, with a current compensation of \$7,000 per month.

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

As at October 31, 2020 \$28,730 (April 30, 2020 - \$170,100) was outstanding for past fees.

In addition, the Company incurred stock-based compensation for key management personnel as follows:

	2020 \$	2019 \$
Mr. Saxon - share-based compensation	84,000	-
Mr. DeMare - share-based compensation	<u>10,710</u>	<u>14,820</u>
	<u>94,710</u>	<u>14,820</u>

(b) *Transactions with Other Related Parties*

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

	2020 \$	2019 \$
Mr. Way - professional fees	3,000	3,000
Mr. Berka - professional fees	<u>3,000</u>	<u>3,000</u>
	<u>6,000</u>	<u>6,000</u>

As at October 31, 2020 \$33,926 (April 30, 2020 - \$75,482) was outstanding for past fees.

In addition, the Company incurred stock-based compensation with respect to non-executive directors as follows:

	2020 \$	2019 \$
Mr. Way - share-based compensation	15,750	7,800
Mr. Berka - share-based compensation	<u>15,750</u>	<u>7,800</u>
	<u>31,500</u>	<u>15,600</u>

- (ii) During the 2020 period the Company incurred \$28,100 (2019 - \$9,550) for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private company owned by Mr. DeMare.

During the 2020 period the Company also recorded \$3,780 (2019 - \$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 six months ended October 31, 2020 the Company recorded \$1,373 (fiscal 2020 - \$3,856) interest expense and repaid \$120,229, representing the \$115,000 principal and \$5,229 of accrued interest.

- (iv) On June 11, 2020 directors and officers 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 officers purchased a total of 1,260,000 units of a 1,905,000 unit private placement completed at \$0.105 per unit. On September 25 2020 directors and officers of the Company and close family members purchased a total of 424,000 units of a 11,907,556 unit private placement completed at \$0.225 per unit.

Outstanding Share Data

The Company’s authorized share capital is unlimited common shares without par value. As at December 18, 2020, there were 20,226,541 issued and outstanding common shares, 8,573,778 warrants outstanding with a exercise prices ranging from \$0.13 to \$0.50 per share and 1,904,000 share options outstanding with exercise prices of \$0.32 per share and \$0.40 per share.