

AGUILA AMERICAN GOLD LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED JANUARY 31, 2017

The following management discussion and analysis and financial review, prepared as at March 31, 2017, should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the nine months ended January 31, 2017 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, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

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, including the technical reports filed with respect to the Company's mineral properties.

Company Overview

The Company is a junior mineral exploration company primarily engaged in the acquisition and exploration for precious and base metals on unproven mineral interests located in Peru. The Company's primary exploration property is the Angostura Property in Peru. The Angostura Property comprises of the Delicia Concession and fifteen staked concessions. The Angostura Property is, by definition, a property of merit. To date, three 43-101 technical reports have been prepared on the property and are available for review on SEDAR. The Company also has plans to construct the El Triunfo project plant which will custom process gold production from local communities in the Angostura Property area. As of the date of this MD&A, the Company has not earned any production revenue, nor developed any proven reserves on any of its properties.

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".

Corporate Update

On February 6, 2017 the Company announced the sudden passing of Mr. John Huguet, President and CEO of the Company. Mr. DeMare, a director and the CFO of the Company was subsequently appointed interim CEO. The current board of directors and officers are as follows:

Mr. Nick DeMare	Director, Interim CEO, CFO and Corporate Secretary
Mr. Blair Way	Director
Mr. Dušan Berka	Director

As a result of Mr. Huguet's passing the Company is reviewing its property portfolio and operations in Peru. In addition, the Company is looking to add to its management team.

Exploration Projects

Angostura Property, Department of Apurimac, Province of Grau, District of Curpahasi, Peru

The Angostura Property currently covers approximately 8,996 hectares and is comprised of the Delicia Concession and fifteen staked exploration concessions. The property is located in southern Peru in the Department of Apurimac, approximately 534 kilometres southeast of Lima and 95 kilometres southwest of the city of Cuzco, and can be reached along paved highways and gravel roads. The area is mountainous and elevations on the property vary between approximately 2,750 meters and 4,519 meters above sea level.

The Company has signed agreements with the community of Mollepiña permitting the Company to conduct its exploration activities and allow the community's mining co-operative to continue to operate in a designated area on the Angostura Property. The Company has also reached an agreement with the community for the operation of a nominal 350 tonnes per day ("tpd") high-grade gold processing facility.

In April 2015 the Company signed a new community agreement with a term of fifteen years for the use of a 30 hectare site to build a mineral processing facility. The basic facility is being designed around a 350 tpd agitated leach gold processing plant. The plant will feature an oversized coarse ore stockpile, multiple weigh scales and assay facilities to accommodate multiple sources. The plant will be able to effectively treat high grade gold to accommodate the local production variances. The Company's plans are to construct a plant to custom process production from local communities. This plan has been referred to as the "El Triunfo" project.

The Delicia Concession is subject to a 2% net smelter returns ("NSR") royalty which is capped at US \$2,000,000. Advance NSR payments of US \$100,000 per annum, was scheduled to commence beginning on May 15, 2016. Mr. Huguet, on behalf of the Company, had been negotiating a deferral of the date of commencement of the advance NSR payments. As of the date of the MD&A, no notice of default has been delivered. With Mr. Huguet's passing, the Company will be reaching out to the vendor to resume negotiations. The Company will assess its strategy of developing the Angostura Property and plans for the the construction of the El Triunfo plant.

Selected Financial Data

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

	Fiscal 2017			Fiscal 2016			Fiscal 2015	
	Jan. 31 2017 \$	Oct. 31 2016 \$	Jul. 31 2016 \$	Apr. 30 2016 \$	Jan. 31 2016 \$	Oct. 31 2015 \$	Jul. 31 2015 \$	Apr. 30 2015 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mineral exploration (costs) recovery	(12,932)	(15,405)	(25,057)	(26,102)	(13,215)	(17,939)	(54,471)	(17,065)
Expenses	(65,700)	(76,368)	(75,969)	(96,395)	(71,241)	(87,460)	(56,024)	(110,219)
Other items	25,972	(7,511)	(43,809)	31,040	(20,024)	(938)	(24,070)	5,280
Net income (loss)	(52,660)	(99,284)	(144,835)	(91,457)	(104,480)	(106,337)	(134,565)	(122,004)
Basic and diluted income (loss) per share	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital (deficiency)	(736,501)	(707,563)	(624,746)	(653,342)	(738,448)	(642,208)	(543,947)	(385,789)
Total assets	1,346,576	1,355,398	1,382,693	1,350,203	1,270,572	1,295,385	1,293,407	1,297,710
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended January 31, 2017 Compared to Three Months Ended October 31, 2016

During the three months ended January 31, 2017 (“Q3”) the Company reported a loss of \$52,660, compared to a loss of \$99,284 for the three months ended October 31, 2016 (“Q2”), a decrease in loss of \$46,624. The decrease in loss was primarily attributed to the following:

- (i) a \$2,473 decrease in mineral exploration costs, from \$15,405 in Q2 to \$12,932 in Q3;
- (ii) a \$13,500 decrease in audit fees. The decrease in audit fees in Q3 is due to \$13,500 audit fees were recorded in Q2 due to the timing of billings of the Company’s year-end financial statements; and
- (iii) in Q3 a \$21,404 reversal of costs previously recorded in prior periods.

Nine Months Ended January 31, 2017 Compared to Nine Months Ended January 31, 2016

During the nine months ended January 31, 2017 (the “2017 period”) the Company reported a loss of \$296,779 (\$0.01 per share), compared to a loss of \$345,382 (\$0.02 per share) for the nine months ended January 31, 2016 (the “2016 period”), a decrease in loss of \$48,603, as follows:

- (a) Expenses increased by \$3,312, from \$214,725 during the 2016 period to \$218,037 during the 2017 period. Specific expenses of note during the 2017 period are as follows:
 - (i) incurred \$21,350 (2016 - \$21,400) for accounting and administrative services provided by Chase Management Ltd. (“Chase”), a private company owned by Mr. DeMare, the CFO of the Company. During the 2016 the Company was also billed \$17,284 (2016 - \$20,175) for accounting services provided by a third party for the Company’s Peruvian subsidiaries;
 - (ii) incurred \$36,000 (2016 - \$36,000) for management fees charged by Mr. Huguet as the Company’s former President and CEO;
 - (iii) incurred \$27,000 (2016 - \$27,000) for professional fees charged by Mr. DeMare, the Company’s CFO and Corporate Secretary, and a total of \$9,000 (2016 - \$9,000) for professional fees charged by the non-executive directors of the Company See also “Transactions with Related Parties”;
 - (iv) incurred \$35,667 (2016 - \$40,654) for travel expenses, comprising \$35,461 (2016 - \$35,434) for monthly travel allowances of US \$3,000 provided to Mr. Huguet and \$206 (2016 - \$5,220) for reimbursements for costs incurred. As at January 31, 2017, \$35,609 remained unpaid to Mr. Huguet;
 - (v) incurred \$9,871 for legal expenses, a decrease of \$11,701 from \$21,572 in the 2016 period, for ongoing services relating to the Angostura Property, community negotiations and general corporate matters; and
 - (vi) recorded share-based compensation of \$23,364 (2016 - \$4,342) on the granting of share options to purchase 490,000 (2016 - 150,000) common shares.
- (b) The Company expenses its mineral exploration and development costs as incurred until such time as either mineral reserves are proven or permits to operate the mineral resource property are received and financing to complete development has been obtained. Details of mineral exploration expenditures are as follows:

	2017 \$	2016 \$
Camp costs	6,348	10,062
Community expenses	782	4,673
Consulting	16,081	16,434
Engineering	5,860	16,233
Environmental studies	1,151	1,618
Equipment rental	2,447	1,629
Office and miscellaneous costs	3,880	4,345
Sampling	400	10,454
Site personnel	10,973	18,084
Transportation	492	2,930
Travel	1,833	3,613

	2017 \$	2016 \$
VAT incurred	3,140	4,589
Recoveries	-	(10,093)
Total	<u>53,394</u>	<u>85,625</u>

- (c) Financing expense increased by \$22,761, from \$10,000 during the 2016 period to \$32,761 during the 2017 period. On June 9, 2015 the Company received a \$50,000 loan from a shareholder of the Company. The loan is without interest, is unsecured and was due to be repaid on June 9, 2016. The Company issued 90,909 common shares of the Company to the lender at an ascribed value of \$10,000 which was recorded during the 2016 period as a financing expense. During the 2017 period the Company and the lender agreed to a one year extension of the due date of the loan, to a revised date of June 9, 2017. The Company issued 400,000 warrants as consideration for the extension. The warrants are exercisable at \$0.05 per share for a period of one year. The value assigned to the warrants was \$32,761 and was recorded as financing expense during the 2017 period.

During the 2017 period the Company paid \$54,337 (2016 - \$40,493) for mineral license payments. These payments have been capitalized as exploration and evaluation assets.

During the 2017 period the Company completed a non-brokered private placement financing of 2,428,600 units for gross proceeds of \$170,002. The Company also issued 59,000 units, having the same terms as the units issued under the private placement, ascribed at \$5,900, as a finder's fee. In addition the Company issued 616,800 common shares of the Company on the exercise of warrants and stock options for proceeds of \$35,840. Proceeds were used for working capital for operations in Peru and corporate costs in Canada.

The Company did not complete any equity financings during the 2016 period. During the 2016 period the Company issued 213,000 common shares of the Company on the exercise of share options for proceeds of \$11,150.

The Company has, in the past, received ongoing advances from related parties to provide working capital to the Company. During the 2017 period the Company repaid \$39,572 of these advances leaving a balance outstanding of \$29,042. See also "Transactions with Related Parties".

Financial Condition / Capital Resources

As at January 31, 2017 the Company had a working capital deficiency of \$736,501 and an accumulated deficit of \$26,701,519. To date the Company has not earned any revenues and is considered to be in the exploration stage. The Company's operations have been primarily funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. The Angostura Property has been put on care and maintenance to minimize expenditures. The properties continue to be held in good standing with the authorities and the community agreements are in place for future works. The Company will remain in a care and maintenance status until markets become more receptive to finance exploration projects. The Company has also conducted studies to determine the viability of the El Triunfo project. Further advancement and construction of the project cannot proceed until the Company has secured adequate financing. In addition, advance NSR payments of US \$100,000 per annum were scheduled to commence on May 15, 2016. The Company intends to negotiate a deferral of this commencement of the advance NSR payments. The Company will also continue to require additional funding to maintain its reduced levels of operations and administration and for property maintenance payments for the next fiscal year. While the Company has been successful in securing financings in the past and obtaining extensions on the advance NSR payments, there can be no assurance that it will be able to do so in the future. If the Company is unsuccessful it may have to reassess its strategy of holding the Angostura Property.

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 significant accounting policies is included in Note 3 to the April 30, 2016 and 2015 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

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 the 2017 and 2016 periods the following amounts were incurred with respect to the Company's executive officers:

	2017 \$	2016 \$
Mr. Huguet - management services	36,000	36,000
Mr. Huguet - travel allowance	35,461	35,434
Mr. Huguet - share-based compensation	8,520	-
Mr. DeMare - professional fees	27,000	27,000
	<u>106,981</u>	<u>98,434</u>

As at January 31, 2017, \$307,012 (April 30, 2016 - \$233,366) remained unpaid on past fees and expenses incurred.

- (ii) During the 2017 period the Company incurred \$21,350 (2016 - \$21,400) for accounting and administration services provided by Chase, a private company owned by Mr. DeMare. As at January 31, 2017, \$3,250 (April 30, 2016 - \$1,000) remained unpaid.
- (iii) The Company has received ongoing advances from certain of the Company's officers and family members to provide working capital to the Company. During the 2017 and 2016 periods advances received and repayments made were as follows:

	2017 \$	2016 \$
Mr. Huguet and his spouse:		
Balance at April 30 th	41,147	-
Advances	7,500	50,278
Repayment	(32,072)	-
Foreign exchange adjustment	1,925	2,962
Balance at January 31 st	<u>18,500</u>	<u>53,240</u>

	2017 \$	2016 \$
Mr. DeMare		
Balance at April 30 th	18,919	-
Advances	15,000	30,984
Repayment	(7,500)	(2,714)
Foreign exchange adjustment	189	749
Balance at January 31 st	<u>26,608</u>	<u>29,019</u>
	<u>45,108</u>	<u>82,259</u>

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

- (iv) During the 2017 period the Company completed a non-brokered private placement financing of 2,428,600 units at \$0.07 per unit. During the 2017 period Mrs. Huguet purchased 458,172 units for \$32,072 and a private company owned by Mr. Berka purchased 55,000 units for \$3,850 of this financing.

(b) *Transactions with Other Related Parties*

During the 2017 and 2016 periods the following professional fees were incurred with respect to non-executive directors of the Company:

	2017 \$	2016 \$
Mr. Way, director - professional fees	4,500	4,500
Mr. Berka, director - professional fees	4,500	4,500
	<u>9,000</u>	<u>9,000</u>

As at January 31, 2017, \$69,099 (April 30, 2016 - \$71,299) remained unpaid on past fees.

Risks and Uncertainties

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's material mineral properties are located in Peru and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 31, 2017, there were 23,249,949 issued and outstanding common shares, 5,974,400 warrants outstanding with exercise prices ranging from \$0.05 to \$0.10 per share and 1,753,500 share options outstanding with exercise prices ranging from \$0.05 to \$0.08 per share.