

## **ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Certain statements in this Management's Discussion and Analysis ("MD&A"), other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements". Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "would," "expect," "intend," "could," "estimate," "should," "anticipate," or "believe," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable law. Readers should carefully review the risk factors and related notes included under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission on March 17, 2022.*

*The following MD&A is intended to help readers understand the results of our operation and financial condition, and is provided as a supplement to, and should be read in conjunction with, our Interim Unaudited Financial Statements and the accompanying Notes to Interim Unaudited Financial Statements under Part 1, Item 1 of this Quarterly Report on Form 10-Q.*

*Unless otherwise indicated or unless the context otherwise requires, all references in this document to "we," "us," "our," the "Company," and similar expressions refer to Augusta Gold Corp., and depending on the context, its subsidiaries.*

### **Company History and Recent Events**

#### **General Corporate Overview**

Augusta Gold is an exploration stage gold company focused on building a long-term business that delivers stakeholder value through developing the Company's Bullfrog Gold Project and pursuing accretive merger and acquisition opportunities. We are focused on exploration and advancement of gold exploration and potential development projects, which may lead to gold production or strategic transactions such as joint venture arrangements with other mining companies or sales of assets for cash and/or other consideration. At present we are in the exploration stage and do not mine, produce or sell any mineral products and we do not currently generate cash flows from mining operations.

The Bullfrog Gold Project is located approximately 120 miles north-west of Las Vegas, Nevada and 4 miles west of Beatty, Nevada. The Company owns, controls or has acquired mineral rights on federal patented and unpatented mining claims in the State of Nevada for the purpose of exploration and potential development of gold, silver, and other metals. The Company plans to review opportunities and acquire additional mineral properties with current or historic precious and base metal mineralization with meaningful exploration potential.

The Company is led by a management team and board of directors with a proven track record of success in financing and developing mining assets and delivering shareholder value.

#### **Recent Development of the Business**

On October 9, 2020, the Company entered into a membership interest purchase agreement (the "MIPA") among the Company, Homestake Mining Company of California ("Homestake"), and Lac Minerals (USA) LLC ("Lac Minerals" and together with Homestake, the "Barrick Parties").

Pursuant to the MIPA, the Company agreed to purchase from the Barrick Parties, and the Barrick Parties agreed to sell to the Company, all of the equity interests (the "Equity Interests") in Bullfrog Mines LLC ("Bullfrog Mines"), the successor by conversion of Barrick Bullfrog Inc. (the "Acquisition Transaction").

The Acquisition Transaction closed on October 26, 2020. Through the Company's acquisition of the Equity Interests, the Company acquired rights to 1,500 acres of land adjoining the Company's Bullfrog Gold deposit.

Following closing of the Acquisition Transaction, the Company's board and management was reconstituted to include Maryse Belanger as President, CEO and director, and Messrs. Donald Taylor and Daniel Earle as directors of the Company joining Mr. David Beling as the sole pre-existing Company director.

On January 7, 2021, the Company announced the appointment of Mr. Richard Warke, Ms. Poonam Puri and Mr. John Boehner as directors of the Company, the resignation of Mr. David Beling as a director of the Company, and the appointments of new members of management. On January 20, 2021, the Company announced the appointment of Mr. Len Boggio as a director of the Company.

On April 13, 2021, the Company announced the appointment of Mr. Donald Taylor as President and Chief Executive Officer of the Company and the resignation of Maryse Belanger as President, Chief Executive Officer and a director.

## **Results of Operations**

### ***Three Months Ended March 31, 2022 and 2021***

	<b>Three Months Ended</b>	
	<b><u>3/31/22</u></b>	<b><u>3/31/21</u></b>
Operating expenses		
General and administrative	\$ 1,067,879	\$ 1,338,457
Exploration, evaluation and project expense	338,639	2,584,323
Accretion expense	7,099	4,940
Depreciation expense	11,014	8,066
Total operating expenses	<u>1,424,631</u>	<u>3,935,786</u>
Net operating loss	(1,424,631)	(3,935,786)
Revaluation of warrant liability	(206,193)	(7,007,886)
Foreign currency exchange gain	209,611	195,326
Net loss	<u><u>\$(1,421,213)</u></u>	<u><u>\$(10,748,346)</u></u>

For the three months ending March 31, 2022, the Company decreased general and administrative expenses by approximately \$270,000. The increase was due to the following year over year variances:

<b>Three months ending</b>	<b><u>3/31/2022</u></b>	<b><u>3/31/2021</u></b>	<b><u>Variance</u></b>
Accounting fees	\$ 89,000	\$ 95,000	\$ (6,000)
Legal and other professional fees	276,000	215,000	61,000
Marketing expense	14,000	77,000	(63,000)
Payroll	62,000	478,000	(416,000)
Corporate expenses & rent	19,000	143,000	(124,000)
Share based compensation	439,000	234,000	205,000
Insurance	42,000	26,000	16,000
Stock exchange fees	39,000	43,000	(4,000)
Other general expenses	88,000	27,000	61,000
Total	<u><u>\$ 1,068,000</u></u>	<u><u>\$ 1,338,000</u></u>	<u><u>\$ (270,000)</u></u>

- Accounting fees decrease resulted from fewer costs for additional consulting fees needed for required regulatory filings and tax compliance in 2021.
- Legal fees were needed for additional stock exchange listing compliance requirements in 2021 and there

was a decrease of \$121,000 in legal fees for 2022. This decrease was offset by professional consulting fees of \$72,000 and an increase in franchise tax fees of \$110,000.

- Marketing expense was lower as 2021 had additional amounts that were used for Company and shareholder awareness projects.
- The payroll and corporate expenses was from the Company entering into an agreement to share office space, equipment, personnel, consultants and various administrative services for the Company's head office located in Vancouver, BC Canada. Management expects payroll costs to continue to be lower than prior periods due to decreased personnel and consultants used in the quarter.
- The Company granted 5,825,000 options to officers, directors and employees of the Company in the first quarter 2021, pursuant to the terms of the Company's Stock Option Plan. The Company recognized share-based compensation expense related to the stock options of \$439,000 and \$234,000 for the three months ending March 31, 2022 and 2021, respectively.

For the three months ending March 31, 2022, the Company decreased exploration, evaluation and project expenses by approximately \$2,384,000. The decrease was due to the following year over year variances:

<b>Three months ending</b>	<b>3/31/2022</b>	<b>3/31/2021</b>	<b>Variance</b>
Drilling	\$ 1,000	\$ 1,446,000	\$(1,445,000)
Consultants/Contractors	120,000	556,000	(436,000)
Supplies and equipment	57,000	179,000	(122,000)
Assay	0	134,000	(134,000)
Water haulage	0	136,000	(136,000)
Overhead	14,000	115,000	(101,000)
Permits and fees	7,000	16,000	(9,000)
Other	140,000	2,000	138,000
<b>Total</b>	<b>\$ 339,000</b>	<b>\$ 2,584,000</b>	<b>\$(2,245,000)</b>

In the first quarter of 2022, The Company continued test work on the metallurgical drill samples collected in 2021. Hydrogeologic modelling and geochemical characterization of the Bullfrog deposit was initiated and remains in-progress.

Additionally, Augusta and the BLM held a Baseline Kickoff Meeting, which included various federal, state, and local agencies, and the BLM assigned a Project Manager and Interdisciplinary Team to provide guidance, approve work plans, review, and approve baseline studies necessary to progress the permitting effort.

The revaluation of the warrant liability is based on the following warrants issued:

<b>Issue Date</b>	<b>Expiration Date</b>	<b>Warrants Issued</b>	<b>Exercise Price</b>
October 2020	October 2024	18,333,333	C\$ 1.80
March 2021	March 2024	3,777,784	C\$ 2.80

### **Liquidity and Capital Resources**

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been financed by the sale of its equity securities by way of public offerings, private placements and the exercise of incentive stock options and share purchase warrants. The Company believes that it will be able to secure additional private placements and public financings in the future, although it cannot predict the size or pricing of any such financings. This situation is unlikely to change until such time as the Company can develop a bankable feasibility study on one of its projects.

On March 4, 2021, the Company issued 7,555,556 units pursuant to a private placement at a price of C\$2.25 per unit for gross proceeds of C\$17 million, each unit comprised of one share of common stock of the Company and one half of one common stock purchase warrant. Each whole warrant entitles the holder to acquire one share of common stock at an exercise price of C\$2.80 per share for a period of three (3) years from the date of issuance. Finders' fees of C\$450,000 were paid in connection with the private placement.

### *Liquidity*

As of March 31, 2022, the Company had total liquidity of \$19,024,000 in cash and cash equivalents. The Company had working capital of \$17,665,000 and an accumulated deficit of \$21,595,000. For the three months ended March 31, 2022, the Company had negative operating cash flows before changes in working capital of \$758,000 and a net loss of \$1,412,000.

As of March 31, 2021, the Company had total liquidity of \$19,582,000 in cash and cash equivalents. The Company had working capital of \$18,530,000 and an accumulated deficit of \$34,374,000. For the three months ended March 31, 2021, the Company had negative operating cash flows before changes in working capital of \$3,493,000 and a net loss of \$10,748,000.

The Company expects that it will operate at a loss for the foreseeable future and believes that it will be required to raise additional funds through debt financing, public or private equity financing, or by other means in the coming months in order to continue in business. Should such financing not be available in that time-frame, the Company will be required to reduce its activities and will not be able to carry out all of its presently planned exploration and, if warranted, development activities on its currently anticipated scheduling.

### *Capital Management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital to an acceptable risk.

As of March 31, 2022, the capital structure of the Company consists of 70,519,188 shares of common stock, par value \$0.0001, and preferred stock Series B shares convertible into 677,084 shares of common stock, par value \$0.0001. The Company manages the capital structure and adjusts it in response to changes in economic conditions, its expected funding requirements, and risk characteristics of the underlying assets. The Company's funding requirements are based on cash forecasts. In order to maintain or adjust the capital structure, the Company may issue new debt, new shares and/or consider strategic alliances. Management reviews its capital management approach on a regular basis. The Company is not subject to any externally imposed capital requirements.

### *Contractual obligations and commitments*

The Company's contractual obligations and commitments as of March 31, 2022 and their approximate timing of payment are as follows:

	<u>&lt;1 year</u>	<u>1 - 3 years</u>	<u>4 - 5 years</u>	<u>&gt;5 years</u>	<u>Total</u>
Leases	\$ 152,466	\$ 166,521	\$ 46,000	\$ 675,000	\$ 1,039,987
Capital Expenditure	30,000	30,000	-	-	60,000
	<u>\$ 182,466</u>	<u>\$ 196,521</u>	<u>\$ 46,000</u>	<u>\$ 675,000</u>	<u>\$ 1,099,987</u>

### **Off Balance Sheet Arrangements**

We do not engage in any activities involving variable interest entities or off-balance sheet arrangements.

### **Critical Accounting Policies and Use of Estimates**

Stock based compensation is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period. We estimate the fair value of each stock option as of the date of grant using the Black-Scholes pricing model. The Company determines the expected life based on historical experience with similar awards, giving consideration to the contractual terms, vesting schedules and post-vesting forfeitures. The Company uses the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. The Company has never paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future.

Mineral property exploration costs are expensed as incurred until such time as economic reserves are quantified. To date, the Company has not established any proven or probable reserves on its mineral properties. Costs of lease, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. The Company has chosen to expense all mineral exploration costs as incurred given that it is still in the exploration stage. Once the Company has identified proven and probable reserves in its investigation of its properties and upon development of a plan for operating a mine, it would enter the development stage and capitalize future costs until production is established. When a property reaches the production stage, the related capitalized costs will be amortized over the estimated life of the probable-proven reserves. When the Company has capitalized mineral properties, these properties will be periodically assessed for impairment of value and any diminution in value. To date, the Company has not established the commercial feasibility of any exploration prospects; therefore, all exploration costs are being expensed. Costs of property acquisitions are being capitalized, and a required payment of \$20,000 was made in 2018 to Mojave Gold Mining Corporation ("Mojave") as part of the Option to Purchase Agreement ("Option").