

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, 2023, filed with the Securities and Exchange Commission on March 29, 2024.

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

The Company is an exploration stage gold company focused on building a long-term business that delivers stakeholder value through developing the Company's Bullfrog and Reward gold projects 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, our properties are in the exploration stage, and we 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 Reward Gold Project is located seven miles from the Bullfrog Gold Project. 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, exploring and developing mining assets and delivering shareholder value.

Recent Development of the Business

On June 13, 2022, the Company closed (the "Closing") on its previously announced membership interest purchase agreement (the "Agreement") with Waterton Nevada Splitter, LLC ("Waterton") to acquire all of the outstanding membership interests (collectively, the "CR Interests") of CR Reward LLC, a wholly-owned subsidiary of Waterton ("CR Reward"). CR Reward holds the Reward Project located just seven miles from the Company's Bullfrog Project in Nevada.

The CR Interests were acquired for the following consideration: (a) \$12,500,000 in cash paid at closing; (b) the issuance of 7,800,000 shares of Augusta Gold common stock at closing; and (c) \$22,126,000 in cash paid on September 14, 2022 (comprising collectively the "Second Payment" and the "Deferred Payment").

Results of Operations

Three Months Ended March 31, 2024 and 2023

| | Three Months Ended | |
|---|-----------------------|---------------------|
| | 3/31/24 | 3/31/23 |
| Operating expenses | | |
| General and administrative | \$ 698,435 | \$ 1,315,572 |
| Exploration, evaluation and project expense | 396,258 | 724,270 |
| Accretion expense | 29,894 | 27,907 |
| Depreciation expense | 11,014 | 11,014 |
| Total operating expenses | <u>1,135,601</u> | <u>2,078,763</u> |
| Net operating loss | (1,135,601) | (2,078,763) |
| Revaluation of warrant liability | (764,059) | 8,223,387 |
| Interest expense | (673,475) | (626,715) |
| Foreign currency exchange gain (loss) | (4,108) | (71,951) |
| Net income (loss) and comprehensive income (loss) | <u>\$ (2,577,243)</u> | <u>\$ 5,445,958</u> |

For the three months ended March 31, 2024, the Company decreased general and administrative expenses by approximately \$618,000. The increase was due to the following year over year variances:

| Three months ended | 3/31/2024 | 3/31/2023 | Variance |
|-----------------------------------|-------------------|---------------------|---------------------|
| Accounting fees | \$ 137,000 | \$ 107,000 | \$ 30,000 |
| Legal and other professional fees | 32,000 | 352,000 | (320,000) |
| Marketing expense | 3,000 | 8,000 | (5,000) |
| Payroll | 137,000 | 216,000 | (79,000) |
| Corporate expenses & rent | 51,000 | 77,000 | (26,000) |
| Share based compensation | 275,000 | 473,000 | (198,000) |
| Insurance | 23,000 | 38,000 | (15,000) |
| Stock exchange fees | 36,000 | 21,000 | 15,000 |
| Other general expenses | 4,000 | 24,000 | (20,000) |
| Total | <u>\$ 698,000</u> | <u>\$ 1,316,000</u> | <u>\$ (618,000)</u> |

- Accounting fees increase resulted from increase in audit fees and additional consulting fees needed for required regulatory filings and planning/projection activities in 2024.
- Legal fees and professional fees decreased due to a reduction in corporate activities in 2024.
- Marketing expenses were lower as 2023 had additional amounts that were used for company and shareholder awareness projects.
- The payroll and corporate expenses result from the Company having 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 fluctuate based on the personnel and consultants used during the period.
- The Company granted options to officers, directors and employees of the Company pursuant to the terms of the Company's Stock Option Plan. In September 2022 the options were repriced resulting in an increase in share based compensation for that period. Certain stock options were canceled in 2023 after termination of an employee resulting in reversal of previous share based compensation expense. The options that were issued in February 2021 were fully vested in February 2024. In addition, the February 2024 Warrants of \$97,370 has been calculated on the date of issuance of February 26, 2024, using Black-Scholes valuation technique.

For the three months ended March 31, 2024, the Company decreased exploration, evaluation and project expenses by approximately \$328,000. The decrease was due to the following year over year variances:

| Three months ending | 3/31/2024 | 3/31/2023 | Variance |
|----------------------------|-------------------|-------------------|---------------------|
| Consultants/Contractors | \$ 61,000 | \$ 234,000 | \$ (173,000) |
| Supplies and equipment | 65,000 | 68,000 | (3,000) |
| Overhead and payroll | 235,000 | 373,000 | (138,000) |
| Permits and fees | 1,000 | 21,000 | (20,000) |
| Other | 34,000 | 28,000 | 6,000 |
| Total | <u>\$ 396,000</u> | <u>\$ 724,000</u> | <u>\$ (328,000)</u> |

In the first quarter of 2024, the Company continued with development activities for the Reward and Bullfrog Projects. In 2023, metallurgical test work on drill core samples from the Bullfrog deposit, environmental baseline studies, compliance reporting, and preparation of a feasibility level technical report for the CR Reward project were advanced.

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

| Issue Date | Expiration Date | Outstanding Warrants | Exercise Price |
|-------------------|------------------------|-----------------------------|-----------------------|
| October 2020 | October 2024 | 18,125,001 | C\$ 1.80 |
| January 2023 | January 2026 | 3,362,573 | C\$ 2.30 |

There are an additional 9,400,000 warrants outstanding which are not warrant liabilities and therefore have no effect on the revaluation of warrant liability (the February 2024 Warrants are not considered a liability and do not get revalued).

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 financing in the future, although it cannot predict the size or pricing of any such financing. This situation is unlikely to change until such time as the Company can develop a bankable feasibility study on one of its projects.

On January 20, 2023, the Company closed its offering (the "Offering") of 6,725,147 units ("Units") of the Company at a price of C\$1.71 per Unit, including the units issued pursuant to the full exercise of the over-allotment option by the underwriters in the Offering (the "Underwriters"), for aggregate gross proceeds of approximately C\$11,500,000 before deducting Offering expenses.

In connection with the closing of the Offering, the Company entered into a Warrant Indenture dated January 20, 2023 (the "Warrant Indenture") with Endeavor Trust Corporation, as the warrant agent, pursuant to which the Company issued Warrants to purchase up to a maximum of 3,362,573 Warrant Shares. Each Warrant is exercisable at any time after January 20, 2023, and prior to January 20, 2026.

As compensation in connection to the Offering, the Company paid the Underwriters cash compensation equal to 5.0% of the aggregate gross proceeds of the Offering and issued to the Underwriters 336,257 common stock purchase warrants (the "Compensation Warrants"). Each Compensation Warrant is exercisable for one share of common stock (each, a "Compensation Warrant Share") for a period of 12 months following the closing of the Offering at a price of C\$1.71 per Compensation Warrant Share.

Liquidity

As of March 31, 2024, the Company had total liquidity of \$440,000 in cash and cash equivalents. The Company had negative working capital of \$30,000,000 and an accumulated deficit of \$36,000,000. For the three months ended March 31, 2024, the Company had negative operating cash flows before changes in working capital of \$1,500,000 and a net loss of \$2,600,000.

As of March 31, 2023, the Company had total liquidity of \$3,600,000 in cash and cash equivalents. The Company had negative working capital of \$21,700,000 and an accumulated deficit of \$34,400,000. For the three months ended March 31, 2023, the Company had negative operating cash flows before changes in working capital of \$2,266,000 and a net income of \$5,446,000.

The Company expects that it will operate at a loss for the foreseeable future and believes the current cash and cash equivalents and working capital will be sufficient for it to maintain its currently held properties, fund its planned exploration, and fund its currently anticipated general and administrative costs for at least the next 12 months from the date of this report. However, the Company does expect that it will be required to raise additional funds through public or private equity financings in the future in order to continue in business in the future past the immediate 12-month period. 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, 2024, the capital structure of the Company consists of 85,929,753 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, 2024, and their approximate timing of payment are as follows:

| Payment due July | Annual Payment |
|-------------------------|-----------------------|
| 2024-2026 | \$ 21,000 |
| 2027-2031 | \$ 25,000 |
| 2032-2036 | \$ 30,000 |
| 2037-2041 | \$ 40,000 |
| 2042-2046 | \$ 45,000 |

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”).

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES AND MARKET RISK

Not Applicable.

ITEM 4 - CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2024.

Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

Our management does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With respect to the quarterly period ending March 31, 2024, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Based upon our evaluation regarding the quarterly period ending March 31, 2024, our management, including our chief executive officer and chief financial officer, has concluded that its disclosure controls and procedures were effective in ensuring that: (i) information required to be disclosed by us in reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Changes in Internal Controls

There have been no changes in the Company’s internal control over financial reporting during the three months ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.