AQUILA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
For the Three Months Ended March 31, 2012

The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2011 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This Management Discussion and Analysis ("MD&A") includes certain statements that may be deemed "forward looking statements". All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Additional information including the Annual Information Form can be found on Sedar at www.sedar.com.This MD&A is dated May 15, 2012.

CORPORATE HIGHLIGHTS

- On March 9, 2012 HudBay Minerals Inc. (ñHudBayò) and the Company transferred their interests in the Back Forty Project to Back Forty Joint Venture LLC (ñBFJVò), a limited liability company. BFJV is owned 49% by the Company, and 51% by HudBay via its wholly owned subsidiary HudBay Michigan Inc. The affairs of BFJV are governed by an Operating Agreement (ñOperating Agreementò) entered into by the Company and HudBay, the terms of which mirror the original Subscription, Option and Joint Venture Agreement the Company had with HudBay. Development activities continue on the Project with HudBay as the project operator.

- The results of a NI-43 101preliminary economic analysis (ñPEAò) on the Back Forty Project, indicating positive economics, were announced on April 26, 2012. The study results are noted under ñKey Developmentsò that follow.

- Exploration continuing on the 100% owned Reef Gold Project with drill results pending.

- Acquisition of the Five Mile Zinc Project in Minnesota by the Exploration Alliance and the announcement on February 16, 2012 of a $4.2 million exploration budget (funded by HudBay Minerals Inc.) for the Exploration Alliance Projects for 2012.

- Continuing exploration activities at properties under the Exploration Alliance.

KEY DEVELOPMENTS DURING Q1 2012

Back Forty Project Preliminary Economic Assessment:

Highlights of the National Instrument 43-101 compliant ñPreliminary Economic Assessment (the "PEA") of the Back Forty Gold Zinc Project located in the Upper Peninsula of Michigan, USAò were made public on April 26, 2012. The study outlines the construction and operation of an estimated ~7 year open pit mining operation of approximately 1 million tonnes of ore per year, as well as the construction of a mill, housing a sulfide flotation circuit, an oxide leach circuit, and related infrastructure. Aquila currently holds a 49% interest in the project. HudBay Minerals Inc. has 51% of the project and can increase its ownership interest to 65% by funding and completing a feasibility study, funding and submitting a permitting application, and making outstanding specified option payments.

Project Economics ï Back Forty PEA:

The high grade open pit deposit provides substantial leverage to gold and zinc prices. Revenue by metal is 48% gold and 26% zinc, 18% copper and 8% silver. Using the base case metal price assumptions below the project achieves payback of capital occurs in the third year of full production. The following table outlines a price/sensitivity analysis based on the assumptions set out in the PEA.

		-15% Change to Base Case	3 Year Historical Price Base Case	+15% Change to Base Case
Gold	US$ (oz)	1,124	1,332	1,520
Silver	US$ (oz)	26.29	25.05	28.81
Copper	US$ (oz)	2.92	3.44	3.96
Zinc	US$ (oz)	0.80	0.94	1.08
Pre-tax	Cashflow	85,779,000	211,794,000	355,958,000
	NPV 8%	2,858,000	73,574,000	142,958,000
	IRR	8.4%	18.2%	26.2%

(i) Three year historic average (April 1, 2009 to March 31, 2012)

Project Resource ï Back Forty PEA:

The potential economic viability of the Back Forty deposit was evaluated using measured, indicated and inferred mineral resources and a discounted pre-tax cash flow analysis. The mine plan evaluated in the PEA assessed the mining of only the near surface portion of the resource by open pit methods. Potential underground mining of deeper resources was not addressed in the PEA.

The portion of the measured mineral resources, indicated mineral resources and inferred mineral resources used for evaluation in the PEA is shown in the following table. This includes allowances for dilution and mining losses based on an assumed mining production schedule and pre-tax cash flow analysis using the Golder Associates mineral resource estimate dated November 29, 2010. The open pit mine design avoided regulated wetland disturbances, and was designed to be backfilled and reclaimed.

Metallurgical Category(1)	Type	Tonnes (000's)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
Measured	Flotation	5,237	1.90	15.1	0.25	0.12	3.41
Measured	Oxide	965	2.85	31.0	0.10	0.12	0.35
Indicated	Flotation	506	1.71	42.7	1.34	0.07	0.64
Indicated	Oxide	149	3.72	44.4	0.34	0.06	0.13
Inferred	Flotation	588	1.31	37.5	1.18	0.05	0.60
Inferred	Oxide	91	3.86	45.0	0.64	0.03	0.09

(1) This preliminary economic assessment is preliminary in nature and includes inferred resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary economic assessment will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability

Project Summaryï Back Forty PEA:

The PEA outlined the scope for the project and a summary of the key operating and cost parameters of the project are as follows:

- Proposed life of mine is approximately 7 years at a full production rate of 3,000 tonnes per day
- Net payable gross revenue of $786.8 million is from copper/zinc concentrates and gold-silver alloy dore
- Average unit operating costs of $36.79 per tonne mined and processed over life of the project
- Total life of mine capital of $272.3 million, includes $224.7 million for initial project capital required to build the mine, site infrastructure, sulfide flotation and oxide leach plant and purchase of new mining equipment to achieve commercial production
- Project pre-tax cash flow of $211.8 million and a Net Present Value (8%) of $73.6 million, 18.2% Internal Rate of Return using 3 year historical metal prices
- Over the Life of Mine (LOM), Back Forty is expected to produce 295,300 ounces of gold, 2,561,700 ounces of silver contained in gold-silver alloy dore product and within the copper concentrate, 77,200 tonnes of copper concentrate, and 323,500 tonnes of zinc concentrate

Project Recommendations ï Back Forty PEA:

Key recommendations of the report are to complete an updated resource estimate which would include drilling results from 78 holes drilled since November 2010, and will include modeling and interpretation of each mineralized domain. Additional metallurgical test work is also recommended using samples from each mineralized domain that will more accurately reflect expected production grades outlined in the PEA. Positive results from this work would support the preparation of a feasibility study for the project.

Opportunities for improvement of the project economics were outlined and include:

- Incorporating additional mineral resources in the mine plan and design
- Increased definition and exploitation of separate mineral domains within the open pit
- Extending the mine life through definition of additional resources at depth and discovery of new resources in the immediate project area
- Further geotechnical investigation to evaluate potential reduction in stripping quantities
- Trade off study of owner operated fleet versus contract mining

Environmental Issues - Permitting and Community Impact Back Forty PEA:

The PEA reviewed key social and environmental issues relating to the project including the proximity to the Menominee River, tailings, waste management and reclamation, water discharge, wetlands protection, archeological studies, as well as listed species and habitat protection. The report noted that environmental baseline investigations were initiated in 2007 to meet regulatory requirements and for permitting requirements. The PEA outlined the engagement of the local communities and Native American tribes. Closure plans included the back filling of the open pit, reclamation and ongoing site monitoring. The PEA notes that permitting applications could be ready for submission in 2012.

Exploration Alliance

The Company announced that under the Exploration Alliance up to $4.2 million would be spent on various projects during the year. A significant focus of the Exploration Alliance would be the Bend Copper Gold Deposit which is located in Wisconsin. (see further details following)

Gold Properties

The Company also released results from its Peninsula Gold Property (part of the Michigan Gold option) and from the Reef Gold Property in Wisconsin. (see further details following)

1. Overview

Aquila Resources Inc. (formerly JML Resources Ltd. ï ñthe Companyò or ñAquilaò) was incorporated in the Province of Ontario as 1223068 Ontario Limited by Articles of Incorporation dated February 17, 1997. The Company carries on the business of mineral exploration and development and is a mineral exploration company. The principal assets of the Company are: i) a 49% investment in Back Forty Joint Venture LLC, a limited liability company that holds the Back Forty Project assets which are located in Menominee County, Michigan. The Company also has ii) an interest in exploration properties subject to an Exploration Alliance with HudBay Minerals Inc. and iii) gold exploration properties .

On August 6, 2009 Aquila announced a Subscription, Option, and Joint Venture Agreement (the ñHudBayAgreement or Agreement ò) with HudBay Minerals Inc. (ñHudBayò) (TSX: HBM ï NYSE:HBM). The Agreement grants HudBay the right to acquire a majority in Aquilaõs Back Forty Project (the ñBack Forty Projectò), located in Menominee County, Michigan. HudBay is a leading Canadian mining company principally focused on the discovery, production and marketing of base metals.

Under the Agreement, HudBay subscribed for 12,141,051 common shares of Aquila, a 14.9% undiluted ownership interest at the time, at a price of CDN$0.1827 per share for an investment of CDN$2.2 million. Completion of the subscription was subject to receipt of approval from the Toronto Stock Exchange. Upon completion of the subscription, HudBay obtained an option to acquire a 51% ownership interest in the Project through the expenditure of US$10 million within three years and the right to further increase its ownership to 65% by completing a feasibility study, submitting an application for permitting the Project and making certain option payments. HudBay acquired a 51% interest in the Back Forty Project in September, 2010 and a joint venture was formed between the parties. HudBay is operator for the joint venture and will have marketing rights to the metal production. On October 15, 2010 HudBay announced it would subscribe for an additional $2 million private placement of 2,226,514 common shares in Aquila which was finalized on February 16, 2011.

On March 9, 2012 HudBay and the Company transferred their interests in the Back Forty Project to BFJV, a limited liability company. BFJV is owned 49% by the Company, and 51% by HudBay via its wholly owned subsidiary HudBay Michigan Inc. The affairs of BFJV are governed by an Operating Agreement (ñOperating Agreementò) entered into by the Company and HudBay, the terms of which mirror the original Subscription, Option and Joint Venture Agreement the Company had with HudBay.

Back Forty Project

The Back Forty Project is an advanced exploration project and is the primary mineral property interest of the Company. The Company ownership interest in the project is subject to the Operating Agreement and prior to that the HudBay Agreement and is currently at 49%. There have been three National Instrument (NI) 43-101 compliant resource estimates for the Back Forty Project. The first was announced by the Company on April 25, 2007, the second was dated January 15, 2009, and the third was announced October 15, 2010. The resource estimates are filed with the Companyõs other public documents at www.sedar.com. The information contained herein is excerpted from the technical reports and other publicly available information.

Ownership of mineral interests for the Back Forty Project are by way of state and private mining leases, private fee surface and mineral ownership, and options to purchase estates subject to underlying royalty interests and applicable minority interests. The entire project is owned by BFJV, and the activities of BFJV are subject to the Operating Agreement between the Company and HudBay. There is an overriding

7% net distributable earnings royalty (ñnet profits after paybackò) payable to a former joint venture partner.

October 15, 2010 Resource Estimate

The NI 43-101 compliant mineral resource statement is presented in Table 1 and consists of a total of 17.9 million tonnes Measured and Indicated (M+I) and 3.4 million tonnes Inferred.

MINERAL RESOURCE STATEMENT* – BACK FORTY DEPOSIT

OCTOBER 15, 2010. GOLDER ASSOCIATES, MISSISSAUGA

Classification	Tonnes (millions)	Variance	Gold (g/t)	Silver (g/t)	Copper (%)	Zinc (%)
Open Pit À						
Measured	14.1	1%	1.59	16.97	0.15	2.54
Indicated	2.1	5%	1.53	32.8	0.41	1.17
Meas.+Ind.	16.2	1%	1.58	19	0.18	2.36
Inferred	1.4	7%	1.4	32.89	0.62	1.0
Underground ÿ						
Measured	0.8	0%	1.67	25.83	0.24	3.45
Indicated	0.9	0%	1.28	24.72	0.34	2.85
Meas.+Ind.	1.7	0%	1.46	25.23	0.29	3.13
Inferred	2.0	-18%	1.22	18.34	0.32	2.64
Combined Open Pit and Underground						
Meas.+Ind.	17.9	1%	1.57	19.6	0.19	2.44
Inferred	3.4	-6%	1.31	25.17	0.46	1.87

*Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates. The cut-off grades are based on metal price assumptions of US$0.95 per pound zinc, US$2.50 per pound copper, US$0.59 per pound lead, US$900 per troy ounce gold and US$15.00 per troy ounce silver. Metallurgical recoveries were determined and used for each of eight metallurgical domains determined for the deposit.
À Cut off grades for each of six metallurgical domains based on NSR values, average cut-off grade for open pit resource contained within an optimized pit shell US$20.
ÿ Cut off grades were determined for each of five metallurgical domains based on NSR values, average cut-off grade for underground resources outside of an optimized pit shell is US$62.

January 12, 2009 Resource

A previous resource was calculated on January 12, 2009. The open pit mineral resources were reported at an average NSR cut-off of US$20 and comprised a substantial tonnage (5.92 million tonnes M+I) and 620,000 tonnes inferred. The underground mineral resources were reported with an average NSR cut-off of US$62 (assuming underground mining costs estimated at US$43 per tonne), showing excellent zinc grade, over 9%, in the M+I category.

Table 1.Mineral Resource Statement* for the Back Forty Deposit, Michigan, U.S.A.

SRK Consulting, January 12, 2009.

		Grade					Contained Metal				
Resource Category	**Tonnage [t]**	**Gold [g/t]**	**Zinc [%]**	**Silver [g/t]**	**Copper [%]**	**Lead [%]**	**Gold [1000 oz]**	**Zinc [M lbs]**	**Silver [1000 oz]**	**Copper [M lbs]**	**Lead [M lbs]**
Open PitResources[†]											
Measured (M)	4,660,000	2.04	3.64	29.2	0.68	0.08	305	374	4,380	70	8
Indicated (I)	1,260,000	4.03	5.63	47.3	0.37	0.30	160	156	1,872	10	8
M + I	5,920,000	2.46	4.06	33.1	0.61	0.13	465	530	6,252	80	16
Inferred	620,000	3.68	2.46	46.5	0.15	0.44	74	34	921	2	6
Underground Resources‡											
Measured (M)	1,060,000	1.21	9.23	26.5	0.39	0.86	41	216	904	9	20
Indicated (I)	1,510,000	1.51	9.11	24.0	0.19	0.47	74	303	1,163	6	16
M + I	2,580,000	1.39	9.16	25.0	0.28	0.63	115	521	2,067	16	36
Inferred	550,000	2.03	6.62	36.4	0.28	0.67	36	80	643	3	8
Combined Open Pit and Underground											
M + I	8,500,000	2.13	5.61	30.6	0.51	0.28	580	1,051	8,319	96	52
Total Inferred	1,170,000	2.90	4.42	41.7	0.21	0.55	110	114	1,564	5	14

* Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates. The cut-off grades are based on metal price assumptions of US$0.79 per pound zinc, US$1.89 per pound copper, US$0.55 per pound lead, US$678 per troy ounce gold and US$10 per troy ounce silver. Metallurgical recoveries were determined and used for each of eight metallurgical domains determined for the deposit.

À Cut off grades for each of eight metallurgical domains based on NSR values, average cut-off grade for open pit resource contained within an optimized pit shell US$20.

ÿ Cut off grades were determined for each of eight metallurgical domains based on NSR values, average cut-off grade for underground resources outside of an optimized pit shell is US$62.

Comparison of October 2010 Resource to January 2009 Resource

The contained gold ounces in the Measured and Indicated category increased in the October, 2010 resource to over 750,000 ounces from 470,000 ounces in the January, 2009 resource. The conceptual strip ratio of Measured and Indicated resource blocks assigned through pit optimization improved to approximately 3:1 from approximately 8:1 which is a marked improvement.

Metallurgical Testwork

The Company completed and released results of metallurgical testwork which was incorporated into the updated resource estimate. The evaluation work on the Back Forty Project was performed by G&T Metallurgical Services of Kamloops, B.C. under the supervision of a metallurgical consultant to the Company. Results demonstrate that flotation testwork produces marketable concentrates of copper, zinc and lead with associated gold and silver reporting to the copper and lead circuits. Precious metal ores with negligible copper, lead and zinc show excellent gold and variable silver recovery through a combination of gravity and hydrometallurgical extraction. Work index testing indicated the ores tested are generally of the ñsoftò variety with favourable grinding characteristics and associated lower power requirements. Metallurgical testwork as part of the project development is ongoing.

A program of metallurgical drilling to provide additional drill core for metallurgical test work has also been completed. Holes were targeting gold mineralized gossans, the 90 Gold Zone, and the NS Gold Zone, and in general confirmed the robust and predictable nature of these near surface zones.

On April 19, 2011 the Company announced that drill hole METNQ-13, testing the NS Gold Zone, intercepted 38.1 meters of continuous gold mineralization, averaging 16.11 g/t gold, including nine meters of 26.28 g/t gold. Although this does not represent a true thickness, it illustrated the strong gold content of the Back Forty deposit.

Exploration Potential

Drilling at the Back Forty has intersected significant gold and zinc mineralization at depth beneath the resource. Exploration targets in the Back Forty project area have been identified using airborne geophysical surveys.

Results from drilling are contained in press releases found on Sedar at www.sedar.com as well as on the Companyôs website at www.aquilaresources.com.

2. Operating Highlights

Overview

During the quarter ended March 31, 2012 activities continued on the Back Forty Project, with Back Forty Project operator HudBay Minerals, and also with evaluation and exploration of new project opportunities under the Exploration Alliance (for base metals) as well as at its 100% owned gold properties.

HudBay is the operator of the Back Forty Project and is responsible for all decisions made at the Back Forty Project including budget allocations for exploration and project development. On April 26, 2012 HudBayôs results of a preliminary economic assessment were announced. Further important milestones following the preliminary economic assessment would include the completion of a prefeasibility study, a feasibility study, as well as completion and submission of permit applications.

When HudBay completes the feasibility study and submits permitting applications, its interest in the project will increase to 65%. Currently the interest of HudBay is 51%. HudBay is responsible for funding all expenses at the Back Forty Project until such time as the feasibility study is complete, permitting is obtained, and a written notice (a ñDevelopment Noticeò) is provided by HudBay to the Company of HudBayõs intent to develop the property into commercial production. In the event a feasibility study is completed, HudBay elects to put the Project into production and issues a Development Notice, and permitting is obtained, the Company will have 90 days to arrange financing for its share of BFJVõs costs. If the Company is unable to obtain financing, or elects not to do so, HudBay, by assuming the obligation to finance 100% of the development costs, will increase its ownership in BFJV by a further 10% to a minimum of 75%. Pursuant to the Operating Agreement, the Company's 25% share of the development costs would then be deducted from the Company's proportionate share of Net Proceeds from BFJV. Until such time as profitable production commences from the Back Forty Project, and any amounts due to HudBay have been repaid, the Company will have no source of revenue from the Back Forty Project.

The net loss recorded by the Company for the quarter ended March 31, 2012 was $322,696 (March 31, 2011 - $1,521,300). The higher loss in 2011 was due to stock based compensation in 2011 of $1,363,681 as compared to $Nil in 2012.

The Company is a reporting issuer in Ontario, British Columbia, Alberta, Saskatchewan and Nova Scotia. The Company listed on the TSX in 2007. Previously the Company was listed on the TSX Venture Exchange. The Company commenced trading on the OTCQX on June 6, 2011 under the symbol ñAQARFò.

The company press releases can be found on Sedar at www.sedar.com as well as on the Companyõs website at www.aquilaresources.com.

Exploration Alliance

On October 15, 2010 the Company and HudBay announced the formation of a strategic alliance (the ñExploration Allianceò) to explore for base metals in Michigan and other areas mutually agreed upon. As part of the Exploration Alliance, HudBay agreed to make a $2 million equity private placement in Aquila, make a $250,000 cash payment to Aquila and provide funding for qualifying exploration targets. The first $2,000,000 of acquisition and exploration expenditures on each target property qualifying for the Exploration Alliance is to be funded by HudBay; thereafter, a 50/50 joint venture would be formed. HudBay will have the right to earn an additional 15% interest in alliance joint ventures by funding the projects through feasibility and permit application. The Company is the operator of each of the Alliance Projects until HudBay has funded $2,000,000 per property.

As of the date hereof Aquila has presented five targets of which four have been approved as Exploration Alliance targets. These include the Bend Deposit (Copper Gold), Turner Peridotite (Copper-Nickel-PGE), Sturgeon Falls(Copper Nickel PGE) and the Five Mile Zinc Project the acquisition of which was announced on February 27, 2012. On February 16, 2012 the Company announced that HudBay had exercised the option to extend the mandate of the Exploration Alliance by paying Aquila an additional

$250,000. These funds are to be used for the identification and initial work up of additional exploration targets.

Acquisition of Bend Copper Gold Deposit

On December 6, 2011 the Company announced the acquisition of the Bend Copper Deposit located in Marathon County Wisconsin. The project is located 35 miles southeast of the former producing Flambeau mine and occurs within the early Proterzoic aged Penokean Volcanic Belt. The Company has been issued an ñexploration licenceò by the Bureau of Land Management for 5,560 acres of prospective Federal Lands

The deposit contains a historic resource of 3 million tonnes of 2.4% copper and 1.4 g/t gold and an separate resource of 1.23 million tonnes of 4.7 g/t gold and 0.31% copper. The historic resource is non-NI 43-101 compliant but is believed to be relevant. It was published in 1992 by a joint venture between Asarco LLC and Lehman & Associates and was based on 33 drill holes. The deposit is open down dip and down plunge.

The Bend Deposit was acquired under the terms of the Exploration Alliance with HudBay. Drilling at the deposit commenced in January 2012 in order to further define and expand the resource.

Results from Bend are pending as of the date hereof.

Aquila has completed a number of VTEM airborne geophysical surveys for two other Exploration Alliance projects. Interpretation of the airborne results, including a detailed analysis of conductive responses was completed by HudBay geophysicists for the Sturgeon Falls area and the Turner Peridotite ï located in the Upper Peninsula of Michigan, as well as the Five Mile Zinc Property. These targets contain multiple conductive zones associated with mafic and ultramafic intrusive rocks untested by previous drilling. Land acquisition and ground geophysical follow-up are ongoing.

On February 27, 2012 the Company announced the acquisition of the Five Mile Zinc Property in the state of Minnesota. Aquila has obtained mineral lease rights to a contiguous land block controlling 1,073 acres that covers the anomalies previously revealed by Teck. The land package was acquired through a purchase option agreement with Agate Lake Exploration which will include yearly payments of $20,500 each year over four years.

The Five Mile Zinc Property project area occurs within the Archean Ely Greenstone Belt and hosts widespread alteration associated with mineralization, a key characteristic of base metal deposits in the Noranda and Snow Lake districts of Canada. The project area was host to limited exploration between the 1970ôs and 1990ôs, most notably by Newmont Exploration and Teck Resources Ltd. (ñTeckò). Teck conducted an exploration program in 1994 that consisted of geological mapping, geochemical and geophysical surveys, and minor diamond drilling.

Aquila Gold Properties

Michigan Gold

The Michigan Gold Property is part of a package of gold properties located in the Marquette Greenstone Belt of Michigan which were acquired in November of 2010**.** The Michigan Gold properties have seen limited exploration work in the past but with promising historical exploration results.

On January 5, 2011 the Company announced that it had completed an initial 20 drill holes at its Michigan Gold Project. The Michigan Gold Project consists of a number of gold prospects in the Marquette Greenstone Belt in the Upper Peninsula of Michigan. The project is approximately 70 km north of the Back Forty Project and 3 km west of the Ropes Gold Mine, a former gold producer most recently operated in the 1980ős by Callahan Mining Corp.

Initial drilling at the Peninsula target focused on a zone of shearing, silicification, and gold mineralization partially defined by Callahan Mining during the operation of the Ropes Mine. The drilling was designed to further define and expand the Peninsula Shear Zone, and encountered a zone of shearing, brecciation and quartz carbonate veining. The 20 holes were drilled over a strike length of approximately 300 meters. Results for the initial 20 drill holes included some impressive intercepts including:

- 4.48grams/tonne (g/t) gold over 3.08 meters in Pen 10-9
- 3.72 g/t gold over 4.88 meters in Pen 10-10
- 9.47 g/t gold over 16.67 meters in Pen 10-11
- 8.62 g/t gold over 2.88 meters in Pen 10-13
- 18.57 g/t gold over 8.0 meters in Pen 10-14
- 35.93 g/t gold over 4.5 meters in Pen 10-20

On January 25, 2012 the Company released additional drill results from the Peninsula Property which is part of the Michigan Gold portfolio. The highlighted intercepts from the second round of drilling at Peninsula include:

- 8.84 g/t gold over 3.5 meters in PEN-11-23
- 7.48 g/t gold over 3.0 meters in PEN-11-26
- 5.31 g/t gold over 4.59 meters in PEN-11-30
- 10.37 g/t gold over 4.48 meters in PEN-11-36
  Including 23.4 g/t gold over 1.97 meters

In total an additional 23 holes were completed to build upon the 20 wide-spaced holes drilled by the Company in 2010. Drilling from the first round identified a mineralized shear zone along a strike length of 300 meters and to a depth of 70 meters (as outlined in a press release dated January 19, 2011). Results from the second round of drilling have expanded the gold-bearing structure down dip to a depth of 150 meters. The Peninsula shear zone remains open along strike and at depth.

Aquilaös strategy for its Michigan Gold Project is to demonstrate the highly prospective nature of the Marquette Greenstone Belt and to build significant gold resources in the area. Follow up drilling is planned based on the results of drilling completed to date.

Reef Gold

The Company continued its exploration of the Reef Gold Project during the March 2012 quarter.

Initial highlighted assay results from the Reef Gold Project announced on September 29, 2011 include:

- 3.0 meters of 8.12 g/t gold in GBP-3
- 12.47 meters of 1.07 g/t gold in R11-6
- 10.50 meters of 1.70 g/t gold in R11-9
- 14.76 meters of 14.41 g/t gold and 0.30% copper in R11-11, *including 9.26 meters of 21.28 g/t gold and .33% copper*

The assay results were from 12 holes that were drilled to the southwest of the existing historical resource. Results were considered encouraging as the same style of mineralization note in the historical resource was encountered. Further drill results were announced on January 26, 2012.

Highlights from the Reef drill results announced on January 26, 2012 included the following intervals;

- 2.10 meters of 8.43 g/t gold and 0.23% copper in R11-15
- 9.90 meters of 2.53 g/t gold and 0.20% copper in R11-17
  Including 3.90 meters of 5.07 g/t Gold and 0.27% copper

- 14.54 meters of 3.23 g/t gold in R11-23
  Including 3.50 meters of 13.05 g/t gold

The Company started a new phase of drilling during the first quarter and results from a number of drill holes are pending.

Aquila originally announced the acquisition of the Reef Gold Project on March 7, 2011. The project is located in Marathon County, Wisconsin. The Reef Project hosts a high grade (+10 g/t gold) historical resource which is open in all directions with the potential for significant expansion. The acquisition of the Reef Project is part of a broader strategy to accumulate 100% owned high quality gold assets in the Great Lakes region.

The Reef Project area was the focus of historic exploration by Noranda Exploration and others in the 1970ôs and 1980ôs. Noranda identified several zones of gold mineralization in the Reef Project area and calculated a non NI 43-101 compliant historic resource estimate of 454,600 tons of 10.6 g/t gold and 0.28% copper. In the resource estimate, mineralization at the Reef Project consists mostly of pyrrhotite, pyrite, and chalcopyrite with native gold, electrum, and telluride minerals within quartz-sulfide veins and vein selvages. Other minor sulfides include sphalerite, chalcocite, cubanite, and rare molybdenite. Using a cut off of 3.4 g/t gold, individual lenses have an average true thickness of 2.4 meters with reported grades ranging from 3.4 g/t to 47 g/t.

Aquila believes the mineral resource estimate is relevant and is based on a reliable historical report. The Company has acquired and verified Reef drill core for geological characteristics and gold content. Aquilaôs review of historic drilling information has determined that projections of the mineralized zones to surface, at depth, and along strike leave significant room for resource expansion.

Aquila has acquired privately held surface and mineral rights at the Reef Project, covering the extent of previous drilling and potential extensions of mineralization. The mineral rights acquired by Aquila enable it to acquire a 100% interest in the property which is subject only to the land ownersô reserved production royalty. The first year land payments are $42,362 with future payments at the option of Aquila based on an approximate cost of $50 per acre. Aquila has completed a VTEM airborne geophysical survey over the project area to guide further exploration and evaluate the excellent potential for additional gold and base metal mineralization.

The State of Wisconsin hosts several significant un-mined deposits and presents significant opportunities for mineral development. In recent years, mining projects have not been permitted in Wisconsin. Aquila intends to be a first mover in the state to acquire mineral properties and work towards permitting and commercial development.

The Company continues to evaluate possible additions to the gold portfolio in various parts of the continental United States and has begun land assembly in certain areas.

3. Selected Financial Information

As an exploration company, the Company has no revenue from operations. The Company is dependent on the equity markets to fund its exploration activities.

The following table provides selected financial information that should be read in conjunction with the financial statements of the Company.

	Quarter ended March 31, 2012	*Quarter ended March 31, 2011*
Interest and other income	$ 500	$ 1,540
Operating expenses	323,196	1,522,840
Net loss	322,696	1,521,300
Basic and diluted loss per share	(0.00)	(0.00)
Mineral Property Cost	3,175,121	30,347,560
Cash	1,188,421	1,926,624
Total assets	$ 33,573,490	$ 33,550,148

4. Results from Operations

The Company's operations involve management of its interest in the Back Forty Project located in Menominee County, Michigan. In addition, the Company is involved in acquisition and development of base metal projects in Michigan and the Great Lakes Region under an Exploration Alliance funded by HudBay Minerals Inc. The Company is also involved in the acquisition and exploration of gold properties in the United States. The Company has no income from its operations. The reduced Mineral Property cost in the March 31, 2012 quarter is due to $27,572,849 of those costs being reflected as Investment in Back Forty Joint Venture LLC. During the quarter ended March 31, 2012 the Company incurred a loss of $0.00 per share (basic and diluted). The comparable loss per share for the March 31, 2011 quarter was $0.01.

5. Revenue

None of the Company's properties have advanced to the point where a production decision can be made. As a consequence, the company has no producing properties and no sales or revenues. From time to time the Company will earn interest from funds on deposit.

6. Expenses

During the quarter ended March 31, 2012 the Company incurred total expenses in the amount of $323,196 (2011ï $1,522,840). Higher costs in 2011 were due to incremental stock based compensation in the March 31, 2011 quarter of $1,363,681 vs. $Nil in the March 31, 2012 quarter. Notable expense items are outlined in the table that follows:

	For the quarter ended March 31, 2012		For the year ended December 31, 2011	
Consulting fees	$	12,013	$	33,976
Filing and regulatory fees		50,828		34,818
Foreign exchange gain		(31,257)		(239,454)
Professional fees		55,042		67,301
Salaries and benefits		111,648		157,356
Stock-based compensation		-		1,363,681
Travel and Promotion		48,362		43,433

7. Acquisition and Exploration Expenditures

Back Forty Project

Until March 2012 acquisition costs for the Back Forty Project were capitalized and accounted for on the balance sheet as mineral property interests. On March 9, 2012 the Companyôs 49% interest in the Back Forty Project was transferred into a company called Back Forty Joint Venture LLC and development activities continue on the Project with HudBay as the project operator. The legal form of the Back Forty Project has been converted to a legal entity in which the Company has a 49% interest, and that explains why it is now being accounted for as an investment.

A significant portion of the Back Forty Project land was optioned under what is referred to as the MRT Option Agreement. The MRT Option Agreement on the MRT Property was entered into during the third quarter of 2006. During 2011 the annual required option payment of US$1,440,000 (2010 - $250,000; 2009-US$250,000) was made. The total option payments remaining to be paid to complete the MRT option are US$5,760,000 through August, 2015. Total future estimated lease, option and property acquisition costs on the Back Forty project over the next five years, including the MRT payments, total $7,054,000.The MRT Property and other acquisition costs related to the Back Forty Project are funded by HudBay under the HudBay Agreement.

Exploration Alliance

During the quarter total Acquisition and Exploration expenditures of $743,153 were made on the Exploration Alliance projects. The Exploration Alliance Agreement with HudBay provides that HudBay will finance the first $2,000,000 of such expenditures on each target included in the Project, hence all of the costs were re-imbursed by HudBay. Total future estimated lease, option and property acquisition costs on the Exploration Alliance Project over the next five years are $417,000, substantially all of which it is anticipated will be funded by HudBay under the Exploration Alliance Agreement.

Michigan Gold, Reef, and Other

Presented below are Acquisition and Exploration expenditures incurred by Aquila for its sole account (not reimbursed by HudBay) on Michigan Gold, Reef and Other for the quarter ended March 31, 2012 of $403,159 (2011 - $2,474,695). Expenditures split out by projects during the quarter ended March 31, 2012 are as follows: Michigan Gold - $107,943; Reef - $253,929; and Other - $41,288.

	For the quarter ended March 31, 2012	For the year ended December 31, 2011
Wages	63,178	353,006
Assays	105,602	325,223
Geophysics	-	132,819
Drilling	-	779,203
Consult/Legal/Environmental	27,478	156,841
Operator	59,398	229,504
Property Interests	147,504	498,099
Total	**$ 403,160**	**$ 2,474,695**

9. Summary of Quarterly Results

Selected financial information for the previous eight fiscal quarters is presented below:

Quarterly Financial Information (unaudited)

	2012 Q1		**2011 Q4**		**2011 Q3**		**2011 Q2**
(a) Interest and Other Income	500	$	1,744	$	1,540	$	1,759
(b) Net Income (loss)	(322,696)	$	(72,716)	$	(372,964)	$	(503,858)
(c) Basic and fully diluted loss per share	(0.00)	$	(0.00)	$	(0.00)	$	(0.01)

		2011 Q1		**2010 Q4**		**2010 Q3**		**2010 Q2**
(a) Interest and Other Income	$	1,540	$	2,052	$	1,441	$	1,662
(b) Net Income (loss)	$	(1,521,300)	$	(287,151)	$	(361,242)	$	187,826
(c) Basic and fully diluted loss per share	$	(0.02)	$	(0.01)	$	0.00	$	0.00

Comments on quarterly results

Q1 2012 ï No unusual items.

Q4 2011 ï Unusual items in the quarter include a favourable adjustment to share-based compensation in the amount of $351,495 reflecting an adjustment to capitalize such costs to mineral properties, and a foreign exchange loss recorded in the amount of $192,896.

Q3 2011 ï Operating costs in 2011 are generally higher than in 2010 due to normal cost increases as the business matures.

Q2 2011 ï A significant portion of the loss was due to a foreign exchange loss recorded during the quarter in the amount of $212,193.

Q1 2011 - The loss was primarily the result of stock based compensation recorded in the quarter of $1,012,186. A foreign exchange loss of $257,093 was recorded; however, it was offset by normal operating cost increases due to more activity as the business matures.

Q4 2010 ï The only unusual item was a foreign exchange loss recorded in the quarter in the amount of $134,197.

Q3 2010 ï A significant portion of the loss was due to a foreign exchange loss recorded during the quarter in the amount of $193,857.

Q2 2010 ï The favourable result in Q2 was primarily a result of a foreign exchange gain of $407,003 recorded during the quarter.

10. Financial Condition

Liquidity and Capital Resources

The Company has no significant revenues and no expectation of significant revenues in the near term. In order to manage this risk, the Company closely monitors its cash requirements and expenditures to maintain sufficient liquidity.

The Company uses cash on hand to fund operations. The cash balance as at March 31, 2012 was $1,188,421 (2011-$1,426,783).

Liabilities at March 31, 2012 consist of short term trade payables and accrued liabilities of $331,473 (2011- $154,976).

The Company has sufficient funds on hand to finance the operations of the Company in the near term. However, the Company remains dependent on equity financing, the Exploration Alliance and the HudBay Agreement to fund its ongoing requirements in the future. Alternative sources of capital include, but are not limited to, funding from capital markets or other industry partners in the event that the HudBay Agreement is terminated.

Operations

The Company has a number of contractual obligations at its operations. The Company has entered into several large ongoing contracts for services notably for drilling. These contracts typically entail break costs for termination but are considered in line with normal industry standards. Some of the large contracts have been assigned directly to HudBay. The Company has a rental commitment on a month to month basis for office space and administrative support in Toronto of approximately $1,500 per month. At the U.S. site operations the Company owns office and storage facilities and has total monthly lease commitments of US$4,500.

Property

Estimated lease, option and property acquisition costs for Exploration Alliance, Michigan Gold, and Reef Projects of $106,912, $57,560 and $43,262 respectively are due in 2012.

The Company anticipates that it will acquire additional land and mineral rights in the future. Property acquisitions and expenditures under the Exploration Alliance are funded by the Company and reimbursed by HudBay. The Company will continue to incur acquisition costs for its 100% owned Michigan Gold and Reef property interests.

It is in the normal course of business for the Company to add or to drop mineral interests based on exploration results and other material factors.

11. Share Capital

Common Shares

As at March 31, 2012, there were 90,945,168 common shares of the Company outstanding (March 31, 2011 ï 84,996,850). During the quarter a total of 206,000 shares were issued; 200,000 shares were issued in connection with a property acquisition related to the Michigan Gold property relating to a prior period commitment and 6,000 shares were issued in connection with options that were exercised.

Warrants

There are a total of 515,140 broker warrants outstanding at March 31, 2012. Each warrant is convertible into one common share at a weighted average exercise price of $0.51. The warrants expire between June 2012 and October 2014.

Options

There are a total of 3,722,250 stock options outstanding at March 31, 2012 with a weighted average exercise price $0.50. During the quarter ended March 31, 2012, 6,000 options were exercised, 1,200,000 options expired, and no options were granted.

12. Off-Balance Sheet Arrangements

As at March 31, 2012 the Company does not have any off-balance sheet arrangements.

13. Transactions with Related Parties

During the three months ended March 31, 2012 management fees amounting to $16,800 (2011- $17,039) were charged by a company controlled by the CFO and a director of the Company.

During the three months ended March 31, 2012 key management, and a related individual, received remuneration consisting of management fees, salaries and benefits. Total remuneration for the quarter amounted to $89,129 (2011-$125,192). There were no outstanding balances with these related parties at March 31, 2012 and December 31, 2011.

During the quarter a total of $102,045 (2011-$58,942) was billed to the Company by a geological consulting company of which the President and CEO and another director are major shareholders. This amount was capitalized to the Mineral properties and is broken down as follows; $82,854 for analytical services and sample preparation and analysis, $19,191 for other. As at March 31, 2012, accounts payable includes $Nil (December 31, 2011- $Nil) owing to this related party. All of the Michigan Gold properties, as described in Note 4(c), are optioned from this geological consulting company.

During the quarter, the Company was charged Directors' fees totaling $10,500 (2011- $11,789) by non-executive directors. Accounts payable includes $Nil (2011- $Nil) owing to these related parties.
During the quarter, the Company was charged legal fees totaling $12,085 (2011-$26,555) by a law firm whose partner is an officer of the Company. As at March 31, 2012 accounts payable includes $Nil (2011-$Nil) due to this related party.

During the quarter rental expenditures in the amount of $3,600 (2011-$3,651) were charged by a Company with common directors. As of March 31, 2012, accounts payable includes $Nil (2011-$Nil) owing to this related party.

During the March 31, 2012 quarter exploration and evaluation expenditures in the amount of $1,615,196 (2011 - $1,703,416) were reimbursed by HudBay, a company that has an approximate 15.8% interest in the Company, and one member on its board of directors. The re-imbursement was pursuant to the terms of the HudBay Option and Joint Venture and the Exploration Alliance agreements described in Note 4. Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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14. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those estimates.

15. Management's Evaluation of Disclosure Controls and Procedures and Evaluation of Internal Control over Financial Reporting

Management (the Chief Executive Officer and the Chief Financial Officer) is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to senior management, including the Chief Executive Officer (CEO)and the Chief Financial Officer (CFO), so that appropriate decisions can be made by them regarding public disclosure.

The system of disclosure controls and procedures includes, but is not limited to, the Company Disclosure Policy, Code of Business Ethics, the effective functioning of the Audit Committee, procedures in place to systematically identify matters warranting consideration of disclosure by the Board of Directors and verification processes for individual financial and non-financial metrics and information contained in annual and interim filings, including the financial statements, MD&A's, Annual Information Forms and other documents and external communications.

As required by CSA Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted, under the supervision of Management, including the CEO and CFO, as of March 31, 2012. The evaluation included documentation review, enquiries and other procedures considered by Management to be appropriate in the circumstances.

Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures was effective as of March 31, 2012.

The CEO and CFO are also required, under NI 52-109, to file certifications of the annual filings. Copies of these certifications may be found on SEDAR at www.sedar.com.

Internal Control over Financial Reporting

Management is responsible for designing internal controls over financial reporting, or supervising their design in order to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for reporting purposes in accordance with Canadian GAAP.

The control framework has been designed by management with assistance by independent accounting consultants. Based on a review of its internal control procedures at the end of the period covered by this MD&A, the conclusion of management is that the internal control is appropriately designed and effective as of March 31, 2012.

16. New Accounting Standards and Policies

The Companyø interim unaudited consolidated financial statements are presented in accordance with International Financial Reporting Standards (ñIFRSò). IFRS represents standards and interpretations approved by the International Accounting Standards Board (ñIASBò), and are comprised of IFRSs, International Accounting Standards (ñIASsò), and interpretations issued by the IFRS Interpretations Committee (ñIFRICsò) or the former Standing Interpretations Committee (ñSICsò). There have been no new accounting policies and standards implemented during the quarter ended March 31, 2012.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after March 31, 2012 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 ï Financial instruments (ñIFRS 9ò) was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (ñIAS 39ò). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

(ii) IFRS 10 ï Interim unaudited consolidated financial statements (ñIFRS 10ò) was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the interim unaudited consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entityø returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

(iii) IFRS 11 ï Joint arrangements (ñIFRS 11ò) was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets, and obligations for the liabilities, of an arrangement; and parties having rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenuesand expenses in accordance with the arrangement, whereas entities in the latter caseaccountfor the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) IFRS 12 ï Disclosure of interests in other entities (ñIFRS 12ò) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) IFRS 13 ï Fair value measurement (ñIFRS 13ò) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counter party credit risks can be measured on the basis of an entityô s net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs; and
- information must be provided on an entityô s valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(vi) IAS 1 ï Presentation of financial statements (ñIAS 1ò) was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

(vii) IAS 27 ï Consolidated and separate financial statements (ñIAS 27ò) was amended by the IASB in May 2011. Consolidation requirements forming part of IAS 27 have been revised and are now contained in IFRS 10. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

17. Risks and Uncertainties

The Company's investment in Back Forty Joint Venture LLC is the material mineral project of the Company and any adverse development affecting it could have a material adverse effect on the Company.

The business of the Company involves many risks and uncertainties. Mineral exploration involves a high level of risk. Some of the risks include the lack of revenues and/or funding as the Company is a development stage enterprise. Other risks include the difficulty of finding economically viable mineral deposits, intense competition in the sector from both large and small competitors, fluctuations in metal prices, the ability to obtain required permits for exploration and mining in jurisdictions and the possibility of legal challenges that delay or stop from environmental and aboriginal groups. These are not an exhaustive list of the risks associated with the business.

Under the terms of the Operating Agreement governing the Company's investment in Back Forty Joint Venture BFJV, HudBay Minerals Inc. may terminate its participation at any time and may sell its interest in the BFJV. In the event of that happening the Company has rights to re-acquire the Project and would pursue alternative sources of funding to do so.

Environmental Risks and Hazards

All phases of the Company's mineral exploration operations are subject to environmental regulations pertaining to the local, state and federal jurisdictions in which the Company operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The future costs of retiring mining assets include dismantling, remediation, ongoing treatment and monitoring of the site. These are reconciled and recorded as a liability at fair value. The liability is accreted, over time, through periodic charges to earnings. In addition, asset retirement costs are capitalized as part of the assetôs carrying value and amortized over the assetôs useful life. As the Company has not yet begun mining or milling operations, the Company currently has no identifiable obligations relating to the retirement of its assets.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties. Production of mineral properties may involve the use of dangerous and hazardous substances such as sodium cyanide. While all steps will be taken to prevent discharges of pollutants into the ground water and the environment, the Company may become subject to liability for hazards that cannot be insured against. The Company is subject to all environmental acts and regulations at the federal and state levels.

19. Officers and Directors

As of the date hereof the current officers and directors of the Company are:

Thomas O. Quigley ï President, CEO and Director
Robin E. Dunbar ï CFO and Director
Nadim Wakeam ï Corporate Secretary
Robin Quigley ï Assistant Corporate Secretary
Edward Munden ï Director
Peter M.D. Bradshaw ï Chairman of the Board and Director
William J. West ï Director
Alan T.C. Hair ï Director

Thomas O. Quigley, P.Geo, is the Qualified Person for Aquila Resources Inc.

20. Additional Information

Additional information about the Company including financial statements, press releases and other filings are available on SEDAR at www.sedar.com.The Company website is www.aquilaresources.com.