AQUILA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

The following management discussion and analysis ("MD&A") of financial results is dated November 13, 2014 and reviews the business of Aquila Resources Inc. (the "Company" or "Aquila") for the three and nine months ended September 30, 2014, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2014, as well as the audited annual consolidated financial statement for the year ended December 31, 2013 and related MD&A. This MD&A and the accompanying unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2014 have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

This MD&A contains certain forward looking statements, such as statements regarding potential mineralization, resources and exploration results and future plans and objectives of the Company, that are subject to various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements contained are made as of the date of this MD&A and the Company disclaims, other than as required by law, any obligation to update any forward-looking statements whether as a result of new information, results, future events, circumstances, or if management's estimates or opinions should change, or otherwise. All amounts herein are stated in US $ unless indicated otherwise.

1. Company Overview and Going Concern

Aquila Resources Inc. was incorporated in the Province of Ontario as 1223068 Ontario Limited by Articles of Incorporation dated February 17, 1997. The Company is listed on the Toronto Stock Exchange under the symbol "AQA", on the Frankfurter Wertpapierbörse under the symbol "JM4A", and on the American OTC Pink Sheets under the symbol "AQARF". Substantially all of the efforts of the Company are devoted to the business activities of exploring for and developing mineral properties.

The principal asset of the Company is its 100% interest in the Back Forty Project located in Menominee County, Michigan. The Company recently announced a new preliminary economic assessment ("PEA") on July 23, 2014. This PEA includes the NI 43-101 compliant resource estimate for the Back Forty Project that was announced February 18, 2013.

The new 2014 PEA incorporates a revised mine plan based on results from Aquila's 2013 resource update and the result of various trade-off studies which looked at different mine configurations to determine the optimal scenario for the project. The base case scenario indicates a pre-tax net present value ("NPV") of $282.2 million, using a discount rate of 6%, with an internal rate of return ("IRR") of 38.8%. Furthermore the PEA describes an alternative low initial capital starter pit option that focuses on mining near-surface, high-grade zones by way of three small open pits in order to maximize capital return in the early years of production.

The Company also has two exploration projects: Reef Gold Project located in Marathon County Wisconsin and, the Bend Project located in Taylor County, Wisconsin. Reef is a gold copper property and Bend is a volcanogenic massive sulfide occurrence containing copper and gold.

Through the acquisition of REBgold, the Company has an 18% interest in a joint venture arrangement with Belvedere Resources ("Belvedere", TSX.V:BEL) in the Kiimala and Rantasalmi projects located in

Aquila Resources Inc.

Finland. As of July 2014, the Company has suspended funding of these projects and is in the process of assessing, if any, future participation in them.

In addition with the acquisition of REBgold, the Company now has rights to a proprietary bioleaching technology and process knowledge which utilizes bacteria in the extraction of precious and base metals from complex refractory ores and concentrates with environmental and economic benefits. To date, the BACOX technology has been used at three gold mines located in Western Australia, Tasmania and China. The Company will investigate project opportunities to leverage the proprietary technology held by the Company.

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses. Advancing the Company's projects through exploration and development to the production stage will require significant financings. Given the current economic climate, the ability to raise funds may prove difficult. Refer to the Risks and Uncertainties and Liquidity and Capital Resources sections for additional information.

None of the Company's projects have commenced commercial production and, accordingly, the Company is dependent upon debt and/or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. The recoverability of the carrying value of exploration and evaluation projects, and ultimately the Company's ability to continue as a going concern, is dependent upon exploration results which indicate the potential for the discovery of economically recoverable reserves and resources, and the Company's ability to finance development and exploration of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets such as royalty interests for its funding.

2014 Third Quarter Highlights

❖ On September 8, 2014 the Company announced the SEDAR filing of a new PEA that was previously announced on July 23, 2014. In February of 2014, the Company engaged the services of Tetra Tech WEI Inc. to complete a series of trade-off studies and to develop a NI 43-101 compliant PEA for the Back Forty Project.

	Pre- Tax	**After Tax**
Net Present Value (using discount rate of 6%)	$282.2 million	210.8 million
Internal Rate of Return	38.8%	32.0%
Payback Period	1.4 years	1.8 years

- The PEA contemplates mining 16.1Mt of mineralized material over the 16-year life of mine ("LOM"), of which 12.5Mt is open-pit and 3.6Mt is underground. The PEA demonstrates the potential for a diverse earnings stream with a payable metal value mix of 41.2% gold, 40.5% zinc, 12.0% copper, 5.7% silver, and 0.6% lead
- Average operating expenditure of $29.95/tonne for an open pit and $66.20/tonne for underground; and

- Total estimated initial capital cost of $261.0 million which is comprised of $177.0 million for direct pre-production, $44 million contingency and $40.0 million
- An alternate mine plan, which considers a low-CAPEX ($100.8m), high-grade initial phase operation, was evaluated in the PEA and provides some flexibility in the development of the project. This option would focus on mining near-surface, high-grade zones by way of three small open pits in order to maximize capital return in the early years of production. This approach has the potential to provide attractive economic returns, mitigate certain start-up risks, and allow for significant optionality in the long-term development of the project. Following the five-year initial phase operation, Aquila could commence a second phase operation which would consider an expanded pit and / or inclusion of the underground resource. This opportunity would be fully evaluated during the feasibility stage of project development and could be pursued depending on future macro-economic conditions. The resulting pre-tax NPV at 6% is $129.4m and IRR 38.6% for the stand-alone initial phase operation.

- On September 19, 2014 the Company completed a private placement and issued 8,972,354 units consisting of a common share and a full warrant at a price per unit of CDN $0.13 for gross proceeds of CDN$1,166,406. Each full warrant entitles the holder to purchase a common share of the Company for a period of 3 years from date of issue at an exercise price of CDN $0.15 per share. In addition 268,572 broker warrants were issued entitling the holder to purchase a common share of the Company for a period of 3 years from date of issue at an exercise price of CDN$0.15 per share.

- By the end of July 2014, the Company successfully made the seventh installment towards the purchase of Thoney land parcel that is part of the Back Forty Project. The last of eight instalment payments is due August 3, 2015

Outlook

- The Cash balance as at September 30, 2014 totaled $1,205,189. The Company continues to prudently manage its cash by deferring certain operating costs until additional financing can be obtained.
- With the completion of a new mine plan for its Back Forty project and the results of a new PEA, the company is evaluating long-term financing strategies to fund its next phase of development. Subject to market conditions and available capital, the Company plans to ramp-up activities related to its permit application for Back Forty with the Michigan Department of Environmental Quality. To date, the Company has completed a number of the required test programs and background studies necessary to support its permit submission. The Company continues to use the services of Foth Infrastructure and Environment, LLC based in Green Bay, WI and is targeting a submission date towards the middle of next year.
- The Company is also planning a small exploration program. A number of geophysical anomalies have been identified peripheral to the known mineralization at Back Forty, and detailed ground geophysics and up to a thousand metres of diamond drilling are planned to test these high priority targets. The company is currently finalizing exploration plans and is now expecting to complete this program in the first half of 2015, subject to market conditions.
- As part of its next phase of development, the company is also looking to conduct a Feasibility study at Back Forty towards the latter half of 2015. Again, the completion of this study is subject to the company securing long-term funding.

2. THE ACQUISITION TRANSACTIONS

The Acquisition Transactions closed on January 16, 2014. Pursuant to the REBgold Financing, REBgold issued a total of 37,300,385 shares at a price of CDN$0.13 cents per share for gross proceeds of approximately CDN$4.85-million. All shares issued pursuant to the REBgold Financing were immediately exchanged for Aquila shares on a one-for-one basis in accordance with the terms of the Arrangement. In connection with the issuance of 2,285,000 REBgold shares for gross proceeds of CDN$297,050 as part of the REBgold Financing, REBgold paid broker compensation consisting of: (i) a cash commission equal to 7% of the gross proceeds related to such subscriptions; and (ii) non-transferable broker warrants to purchase a total of CDN$159,950 REBgold shares (representing 7% of the REBgold shares related to such subscriptions) at a price of CDN$0.15 per share for two years from the closing of the REBgold Financing. As a result of completion of the Arrangement, each broker warrant became exercisable for one Aquila share at a price of CDN$0.15 cents per share.

Immediately prior to completion of the Arrangement and related transactions, there were 64,825,568 REBgold shares outstanding (including shares issued pursuant to the REBgold Financing). All of these shares were exchanged for Aquila shares pursuant to the Arrangement on a one-for-one basis.

In connection with HMI Acquisition, Aquila issued 18,650,193 shares to HMI in satisfaction of the portion of the purchase price for HMI that was payable at closing.

<u>Post closing capital structure and effective date of transaction</u>

Upon completion of the Arrangement, REBgold became a wholly-owned subsidiary of Aquila. REBgold Shares were delisted from the TSXV following completion of the Arrangement and REBgold ceased being a reporting issuer.

Immediately following completion of the Arrangement, the REBgold Financing and the HMI Acquisitions, there were 183,160,901 Aquila shares outstanding together with outstanding stock options, convertible debentures and warrants that will collectively be exercisable for up to approximately 27.6 million Aquila shares.

As a result of Aquila being able to exercise defacto control as of December 30th, 2013, management had determined that HMI and REBgold should be consolidated from this date onwards, as it represented the date on which the acquirer has gained control of the acquirees. In addition, Baker Steel had provided a letter of commitment on the financing by this date, ensuring one of the key conditions on the transaction was in place. While approval had not yet been received from the courts until January 7, 2014, the remaining authorization was considered administrative in nature, as all other major precedents conditional to the transaction occurring had been completed. Accordingly, the transactions have been reflected as of December 30th, 2013. As the shares were not legally issued until after year-end, they were reflected as shares to be issued as at December 31, 2013.

Transaction compensation costs included bonus and settlements of outstanding payable amounts through the issue of shares and disbursement of cash, as well as the issue of stock options to directors, consultants and officers for both REBgold and Aquila. These costs totaled $1,031,895 of which $284,000 was disbursed through cash.

Upon completion of the transaction, HudBay owned 18.3 % and Baker Steel owned 24.8% of the total outstanding common shares of the Company.

3. OVERVIEW OF PROJECTS

A. Active Projects

Back Forty Project

The Back Forty Project is an advanced exploration stage volcanogenic massive sulfide (VMS) discovery deposit containing gold, zinc, lead, silver and copper, located in the Upper Peninsula of Michigan, USA and is the primary mineral property interest of the Company. The Back Forty Project is a high-grade, poly-metallic project, which contains approximately 1 million ounces of gold and 1 billion pounds of zinc in the M&I categories, with additional upside potential. The Back Forty Project is directly owned by the Back Forty Joint Venture LLC ("BFJV") which controls approximately 7,600 acres of surface and mineral rights which are owned or held under lease or option by BFJV. Some lands are subject to net smelter royalties varying from 1% to 3.5%, with certain lands subject to a 2% to 7% royalty, which includes state royalties, which under state law can be renegotiated.

Upon the completion of the HMI Acquisition (see "Acquisition Transactions" - Section 2), Aquila owned 100% of the BFJV through its 49% direct interest in BFJV and the 51% interest held through HMI. Upon the completion of the HMI Acquisition the operating agreement with HudBay (the "Operating Agreement"), certain key terms of which are described below, no longer apply.

Previous Operating Agreement with HudBay

On August 6, 2009, the Company signed a subscription, option and joint venture agreement with HudBay (the "Subscription, Option and Joint Venture Agreement"). Under the terms of the Subscription, Option and Joint Venture Agreement (and the follow-on Operating Agreement, as described below), the following events occurred and came into effect:

i. As of August 31, 2010 HudBay earned a 51% interest in the Back Forty Project by exceeding $10 million in aggregate expenditures on the Back Forty Project over a 3 year period.
ii. Pursuant to the Subscription, Option and Joint Venture Agreement, on March 9, 2012 HudBay and the Company transferred their interests in the Back Forty Project to BFJV, a limited liability company. BFJV was owned 49% by the Company, and 51% indirectly by HudBay through its wholly owned subsidiary HMI. The affairs of BFJV were governed by the Operating Agreement entered into by the Company and HudBay, the terms of which mirrored the original Subscription, Option and Joint Venture Agreement.

Pursuant to the Operating Agreement, while HudBay was the operator of the Back Forty Project, it was responsible for all decisions including budget allocations for exploration and development. HudBay and Aquila were each responsible for their share of annual property holding costs, for which the Company would be subject to dilution should it choose not to participate. If HudBay completed a feasibility study and submitted permitting applications by August 2013, its interest in the Back Forty Project would have increased to 65%. If HudBay did not complete the feasibility study and submitted permitting applications by August 12, 2013, then Aquila had the right to acquire HudBay's 51% interest in the BFJV by reimbursing HudBay an amount equal to 50% of the costs expended by HudBay on the Back Forty Project since August 6, 2009. The Operating Agreement provided HudBay with the right to sell its interest in the BFJV, subject to the Company's right of first refusal.

On April 26, 2012 a NI 43-101 compliant PEA of the Back Forty Project was made public. The full technical report for the PEA, dated April 26, 2012 is filed on www.sedar.com under the filings of Aquila Resources Inc.

On July 3, 2012 the Company announced it had been informed by HudBay that it had decided to suspend its development activities on the Back Forty Project and would be considering its strategic alternatives with respect to the Back Forty Project.

On November 7, 2013 the Company signed an agreement with REBgold and HudBay to buy back the 51% ownership interest in the BFJV, which was completed as a result of the HMI Acquisition. See "Acquisition Transactions" - Section 2.

New Preliminary Economic Assessments

The Company recently filed a new PEA on September 8, 2014. This PEA updates the initial NI 43-101 compliant PEA of the Back Forty Project that was completed in 2012 and includes the NI 43-101 compliant resource estimate for the Back Forty Project that was announced February 18, 2013.

The PEA, which incorporates a revised mine plan based on results from Aquila's 2013 resource update, was completed by Tetra Tech Inc. after considering various trade-off studies which looked at different mine and concentrator configurations to determine the optimal scenario for the project.

Highlights from the PEA include:

- The PEA contemplates mining 16.1Mt of mineralized material over the 16-year life of mine ("LOM"), of which 12.5Mt is open-pit and 3.6Mt is underground. The PEA demonstrates the potential for a diverse earnings stream with a payable metal value mix of 41.2% gold, 40.5% zinc, 12.0% copper, 5.7% silver, and 0.6% lead;

- The base case scenario indicates a pre-tax net present value ("NPV") of $282.2 million, using a discount rate of 6%, with an internal rate of return ("IRR") of 38.8%. The base case scenario reports an after-tax NPV of $210.8 million, using a discount of 6%, with an IRR of 32.0%;

- Operating at an initial throughput rate of 5,350 tpd, the total payable production of the mine is expected to be 532 thousand ounces of gold, 704 million pounds of zinc, 63 million pounds of copper, 4,645 thousand ounces of silver, and 11 million pounds of lead;

- A total estimated initial capital cost of $261 million comprised of $177 million of direct pre-production capital expenditure ("CAPEX"), a $44 million contingency, and $40 million of indirect and owner's costs;

- The average on-site operating costs are $29.25 per tonne processed for open-pit mining and $66.20 per tonne processed for the underground mine; and

- The near-surface characteristics of the ore body provide the opportunity to develop a low-CAPEX, high-grade initial phase operation. This option would focus on mining near-surface, high-grade zones by way of three small open pits in order to maximize capital return in the early years of production. This approach has the potential to provide attractive economic returns, mitigate certain start-up risks, and allow for significant optionality in the long-term development of the project. Following the five-year initial phase operation, Aquila could commence a second phase operation which would consider an expanded pit and / or inclusion of the underground resource. This opportunity would be fully evaluated during the feasibility stage of project development and could be pursued depending on future macro-economic conditions. The resulting pre-tax NPV at 6% is $129.4m and IRR 38.6% for the stand-alone initial phase operation.

Sensitivity Analysis

A sensitivity analysis was performed to test the economic viability of Back Forty against possible fluctuations in commodity prices. A table illustrating project sensitivity is presented below:

	Base Case -15%	**Base Case**	**Base Case + 15%**
Gold	$1,099/oz	$1,293/oz	$1,487/oz
Silver	$17.39/oz	$20.46/oz	$23.53/oz
Zinc	$0.82/lb	$0.96/lb	$1.10/lb
Copper	$2.70/lb	$3.18/lb	$3.66/lb
Lead	$0.82/lb	$0.96/lb	$1.10/lb
Pre-Tax			
NPV @ 6%	$122.3M	$282.2M	$440.6M
IRR	23.7%	38.8%	52.0%
Payback Period	2.8 years	1.4 years	0.9year
After-Tax			
NPV @6%	$95.2M	$210.8M	$324.8M
IRR	20.2%	32.0%	42.0%
Payback Period	3.1 years	1.8 years	1.2 years

Project Potential

The optimized mine plan provides some flexibility in the development of the project including a low-CAPEX, high-grade initial phase operation. This option would focus on mining near-surface, high-grade zones by way of three small open pits in order to maximize capital return in the early years of production. This approach has the potential to provide attractive economic returns, mitigate certain start-up risks, and allow for significant optionality in the long-term development of the project. This opportunity would be fully evaluated during the feasibility stage of project development and could be pursued depending on future macro-economic conditions.

Other opportunities for consideration include optimization of the underground mining approach, which was not completed as part of the PEA, improving processing performance, and defining the upside potential, including further exploration and expansion of the underground resource, in-pit targets, and near-mine drill targets, which have the potential to extend mine life and improve project economics.

Qualified Persons
The PEA was prepared under the supervision of Tetra Tech Inc., specifically Rex Bryan, SME; Wenchang Ni, P.Eng.; Daniel Sweeney, P.Eng.; Arun Vathavooran, Ph.D., C.Eng., MIMMM, SME; Dharshan Kesavanathan, P.Eng.; Mike McLaughlin, P.Eng.; Sabry Abdel Hafez, P.Eng.; and, Andrew Carter, Eur. Ing., C.Eng., MIMMM, MSAIMM, SME. All of the aforementioned individuals are qualified persons as defined in National Instrument 43-101. The scientific and technical information in this news release was reviewed and approved by Thomas O. Quigley, Vice President of Exploration and Senior Technical Advisor for the Back Forty Project. By virtue of his education, experience, and professional association, Mr. Quigley is considered a Qualified Person as defined under National Instrument 43-101. Information regarding data verification is provided in Aquila's annual information form dated March 31, 2014.

Aquila Resources Inc.

2013- Resource Estimate Update

A NI 43-101 compliant resource estimate used for the 2014 PEA for the Back Forty Project, was announced on February 18, 2013. The result of the updated mineral resource estimate for the Back Forty Project was as follows:

AQUILA RESOURCES INC. BACK FORTY RESOURCE ESTIMATE

February 2, 2013

Open Pit†							
Category	Tonnes	Au (ppm)	Ag (ppm)	Cu (%)	Pb (%)	Zn (%)	NSR ($/tonne)
Meas.	4,720,716	2.24	26.77	0.55	0.13	3.49	141.88
Ind.	4,926,783	1.90	18.30	0.14	0.21	1.49	92.41
Meas. + Ind.	9,647,498	2.07	22.45	0.34	0.17	2.47	116.62
Inf.	152,488	2.76	34.56	0.19	0.39	2.86	143.31

Underground‡							
Category	Tonnes	Au (ppm)	Ag (ppm)	Cu (%)	Pb (%)	Zn (%)	NSR ($/tonne)
Meas.	1,982,087	1.97	28.56	0.29	0.31	5.04	141.22
Ind.	3,504,462	1.96	27.78	0.33	0.32	3.57	117.79
Meas. + Ind.	5,486,549	1.97	28.06	0.32	0.32	4.10	126.27
Inf.	2,184,246	2.03	25.96	0.37	0.33	2.15	101.89

Global Resource							
Category	Tonnes	Au (ppm)	Ag (ppm)	Cu (%)	Pb (%)	Zn (%)	NSR ($/tonne)
Meas.	6,702,803	2.16	27.30	0.47	0.18	3.95	141.68
Ind.	8,431,244	1.92	22.24	0.22	0.26	2.36	102.96
Meas. + Ind.	15,134,047	2.03	24.48	0.33	0.22	3.06	120.11
Inf.	2,336,734	2.07	26.53	0.36	0.33	2.20	104.60

**Mineral resources are not mineral reserves and do not have demonstrated economic viability. Net smelter return ("NSR") cut-off values were based on metal price assumptions of US$0.96 per pound zinc, US$3.65 per pound copper, US$1.01 per pound lead, US$1456.36 per troy ounce gold and US$27.78 per troy ounce silver. Metallurgical recoveries were determined and applied for each of the metallurgical domains determined for the deposit.*

† Cut off values were determined for each of the metallurgical domains contained in the optimized open pit were based on NSR values. Average cut-off value for the open pit resource contained within an optimized pit shell was US$27.75. "See Mineral Resource Estimate Disclosure."

‡ Cut off values were determined for each of the metallurgical domains based on NSR values. Average cut-off value for the underground resources outside of the optimized pit shell was US$66.45. See "Mineral Resource Estimate Disclosure."

The technical contents of Resource Estimate update has been reviewed and approved by Thomas O. Quigley, the Vice President, Exploration of the Company, a "qualified person" as such term is defined in National Instrument 43-101 ("NI 43-101")

Aquila Resources Inc.

The updated resource was compiled by Tetra Tech of Golden Colorado with input by Aquila's technical team, and incorporated the results of an additional 78 drill holes from the previously calculated resource prepared in 2010. In addition to incorporating recent drilling, the updated resource includes a new geological model of the deposit with increased detail on the geologic boundaries of the Back Forty deposit from both a geological and geo-metallurgical standpoint.

The updated mineral resource expanded on and incorporated parameters derived from the April 26, 2012 PEA that utilized the 2010 mineral resource. The 2012 PEA contemplated mining 7,536,000 tonnes of mineral resources from an open pit. The updated open pit mineral resource consisted of 9,647,498 tonnes of measured and indicated resources utilizing a NSR cut off averaging US$27.75 per tonne. The updated resource also quantified mineralization outside of the open pit shell utilizing an underground NSR cut off averaging US$66.45 per tonne.

Mineral Resource Estimate Disclosure:

- **Ordinary Kriging Estimation:** Ordinary kriging (OK) by Datamine® was used to estimate the Back Forty resources. The estimate was constrained to be within interpreted geologic domain wireframes. Specific gravity was assigned to lithologic zones by regression equations using sulfur and iron content. Gold, silver, lead and zinc values were capped at levels based on interpreted composite statistics and cumulative frequency plots. Variography was used to define anisotropy of mineralization and search parameters within each lithologic zone. Mineral classification of measured, indicated and inferred was defined by a strategy of three kriging passes using increasing search ranges.
- Mineralization offering reasonable prospects for economic extraction by open pit were determined using the Lerchs-Grossman optimizing algorithm which evaluates the profitability of each resource block based on its NSR value. Optimization parameters were based on cost parameters derived in the April PEA as well as updated metallurgical recoveries and updated metal prices. Metal grades were estimated using an ordinary kriging estimator for each mineral domain.

- Block model grade estimates were validated by comparison with nearest neighbor and inverse distance squared methodologies and visual comparison of composites and drill hole data with resource block data.

- **Open Pit Cut Off:** Cut off values based on metallurgical type for the open pit mineral resources were US$25 for flotation and US$39 for hydrometallurgical or leaching. Average cut off values for the open pit mineral resources were US$27.75.
- **Outside of Pit (Underground) Cutoff:** Cut off values based on metallurgical type for the underground mineral resources were US$65.50 for the flotation and US$79.50 for the hydrometallurgical type. Average cut off values for an underground mining scenario were US$66.45.

- **Net Smelter Return Estimation:** The Back Forty is a poly-metallic deposit with each metal contributing to the value of the mineralization. The mineral resources are therefore reported by utilizing a calculated net smelter return ("NSR"). The NSR calculations were based on the metal grades and metallurgical type designation. Key inputs for the NSR estimation include metal prices, metallurgical parameters (process recovery and product specification by metallurgical type) and concentrate and doré terms (which took into account cost estimates including smelter terms, refining costs, penalties, transportation, insurance, and marketing).

- NSR values for the 2013 resource were calculated in a similar manner as they were in the PEA dated April 26, 2012. Notable changes in the NSR calculation include updated metal prices utilizing a three year trailing average, and updated metallurgical recoveries and concentrate/doré specs. The NSR Value takes into consideration values from lead as opposed to copper in two mineral domains (Tuff Zone massive sulfide and associated stringer zone) as well as value from copper in a mineral domain where only gold and silver were previously considered (Pinwheel Gossan).

- **Updated Metallurgical Recoveries:** Metallurgical recoveries were estimated for a total of 13 metallurgical domains. Six of these domains reflect sulfide-rich flotation ores and seven represent sulfur-poor, gold-silver leach ores. The estimated recoveries were developed utilizing both past and recent metallurgical testing and reflect the best estimate of recovered metals for each individual and discrete metallurgical domain. These recoveries do not take into account 'blending' certain metallurgical zones in an open pit mining scenario. However, the detailed metallurgical domaining of the deposit and associated recoveries allows for development of a more selective mining plan with respect to both open pit and underground mining scenarios.

- **Resource Disclosure:** Because the updated mineral resource estimate does not constitute a material change, a 43-101 technical report will not be completed. Additional details about the updated resource will be available on the Company's website. Mineral resources for the deposit were classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves by Rex Bryan, Ph.D., an appropriate independent qualified person for the purpose of National Instrument 43-101.

Accounting Treatment of the Back Forty Project

During 2012, the Company transferred its interest in the Back Forty Project to a limited liability company, BFJV. In consideration of the transfers of their respective property interests, the Company and HudBay took back a 49% and 51% interest, respectively, in BFJV. The Company accounted for the transaction as a transfer between mineral properties and investments at carrying value during 2012. The Company has significant influence over BFJV and accounted for the investment using the equity method.

The Mineral property costs accumulated by the Company on the Back Forty Project up to the time it acquired the 49% interest in BFJV on March 9, 2012 amounted to $9,294,235, and that amount has been reflected as the Company's Investment in BFJV. This initial investment amount is adjusted based on the Company's share of the income or losses reported by BFJV.

On December 30, 2013 the Company effectively controlled 100% of the Back Forty Project and changed the classification of the investment to mineral property.

As a result of Aquila being able to exercise control as of December 30th, 2013, management has determined that HMI and REBgold should be consolidated from this date onwards, as it represents the date on which the acquirer has gained control of the acquirees. In addition, Baker Steel had provided a letter of commitment on the financing by this date, ensuring one of the key conditions on the transaction was in place. While final approval had not yet been received from the courts until January 7, 2014, the remaining authorization was considered administrative in nature, as all other major precedents conditional to the transaction occurring had been completed. Accordingly, the transactions have been reflected as of December 30th, 2013. As the shares were not legally issued until after year-end, they have been reflected as shares to be issued.

Expenditures 2014

The Company has continued with its development plans post transaciton, which include the following initiatives discussed below that started in the first quarter of 2014. The extent of these initiatives is dependent on the ability of the Company to raise the required capital financing to complete these initiatives.

The results of the new PEA, which incorporates a revised mine plan mine plan based n results from the Company's 2013 resource updates was completed by Tetra Tech Inc. after considering various trade-off studies which looked at different mine configurations to determine the optimal scenario for the project, was filed on September 8, 2014.

The Company is planning a small exploration program starting in the third quarter of 2014. A number of geophysical anomalies have been identified peripheral to the known mineralization at Back Forty, and detailed ground geophysics and up to a thousand metres of diamond drilling are planned to test these high priority targets.

The Company is also planning to ramp-up activities related to its permit application for Back Forty with the Michigan Department of Environmental Quality. The Company will continue to use the services of Foth Infrastructure and Environment, LLC based in Green Bay, WI and is targeting a submission date in the first half of 2015.

During the nine months ended September 30, 2014 the Company incurred project exploration and administrative expenditures of $ 692,000. Acquisition costs incurred on the Back Forty Project for the nine months ended September 30, 2014 were $1,482,414.

Estimated lease, option and property acquisition costs related to the Back Forty Project for 2014 to 2017, for which the Company is materially liable throughout the duration of the agreement, are as follows:

Year	Amount
2014	$1,570,549
2015	$1,585,384
2016	$320,718
2017	$148,053

Reef Gold Project

On March 7, 2011 Aquila announced the acquisition of the Reef Gold Project located in Marathon County, Wisconsin. The Reef area was the focus of historic exploration by Noranda in the 1970's and 1980's. The Reef Gold project hosts a high grade (412,410 tonnes @ 10.6 g/t gold) historical, non NI 43-101 compliant, resource *(1)* which is ope*n* in all directions and in the view of management has potential for expansion.

The Company entered into a series of agreements with private landholders in Marathon County, Wisconsin for the optioning of surface and mineral rights. The agreements consist of mining leases and exploration agreements with an option to purchase. Currently there are a total of 803 acres under these agreements, which have terms from 2 to 20 years up to 2031. A variable net smelter royalty up to 2% is payable in the event of mineral production on the property.

Since acquiring the Reef Gold Project Aquila has completed 42 diamond drill holes at Reef that have confirmed and expanded the presence of gold and copper mineralization within loosely defined zones identified by previous explorers. In addition, Aquila has completed a VTEM survey over the Reef Property.

During the nine months ended September 30, 2014 the Company incurred exploration expenditures of $26,500 ($1,108 – September 30, 2013). Acquisition costs incurred on the Reef Gold Project for the nine months ended September 30, 2014 was $30,219 ($30,149 – September 30, 2013). Ongoing lease or option costs related to the Reef Project for 2014 to 2017, which are at the Company's option, are as follows:

Year	Amount
2014	$46,031
2015	$419,381
2016	$39,531
2017	$39,531

Future exploration for 2014 of the property will depend on the availability of funding.

Note (1:) The historical resource estimates for the Reef Gold Project are based on prior data and reports prepared by previous owners of the properties. A qualified person has not done sufficient work to classify the historical estimates as current mineral resources under NI 43-101. The Company is not treating the historical estimates as current mineral resources or mineral reserves. The Company considers that the historical estimates should be considered only as historical references of tonnes and grades. No reliance should be placed on these historical estimates.

Bend Project (a Former Exploration Alliance property*, now 100% owned by the Company)

The Bend Project is located 35 miles southeast of the former producing Flambeau mine and occurs within the Penokean Volcanic Belt. The Penokean Belt is one of the most prolific VMS belts globally and hosts a number of significant deposits, including Aquila's Back Forty Project. The Bend deposit contains a historical, non NI 43-101 compliant, resource estimate *(1)*) of 2.7 million tonnes grading 2.4% copper, 1.4 g/t gold and 13.7 g/t silver, and remains open down dip and down plunge. In addition, a separate gold zone containing 1.12 million tonnes of 4.7 g/t gold and 0.31% copper was delineated in historic, non NI 43-101 compliant, technical reports (*1*) and remains open in all directions. The Company believes the historical results to be relevant.

On October 15, 2010, the Company signed an Exploration Alliance agreement with HudBay. Under the agreement HudBay funded exploration conducted by the Company (as Project Operator) in Michigan and other designated areas. On July 3, 2012 HudBay notified the Company of its intent to terminate the Exploration Alliance agreement.

During the nine months ended September 30, 2014 the Company incurred exploration expenditures of nil ($35,454 – September 30, 2013). Future exploration of the property will depend on the availability of funding.

Note (1:) The historical resource estimates for the Bend Project are based on prior data and reports prepared by previous owners of the properties. A qualified person has not done sufficient work to classify the historical estimates as current mineral resources under NI 43-101. The Company is not treating the historical estimates as current mineral resources or mineral reserves. The Company considers that the historical estimates should be considered only as historical references of tonnes and grades. No reliance should be placed on these historical estimates.

Finland - Kiimala and Rantasalmi Project

Agreement

In July 2011, the REBgold (a wholly owned subsidiary of the Company) entered into a definitive Shareholders' Agreement with Belvedere Resources Finland oy ("BelFin"), a wholly-owned subsidiary of Belvedere Resources ("Belvedere", TSX.V:BEL) for REBgold to earn an interest in two of BelFin's gold properties in Central Finland, the Kiimala and Rantasalmi properties (the "Properties").

Under the terms of the Shareholders' Agreement, REBgold has the right to earn a 50% interest in a special purpose joint venture company which holds the Kiimala and Rantasalmi projects by contributing expenditures of CDN$6.0 million in a 4 year period. During the first year, REBgold must spend a minimum of CDN$1.5 million on the Properties. After the earn-in has been completed, REBgold can increase its interest to between 55% and 75%, depending on the level of BelFin's contribution to a Feasibility Study. A further 5% can be earned if REBgold's bioleaching technology can lead to a material improvement in the project economics.

REBgold has incurred expenditures of CDN$2.4 million since the start of the Shareholders' Agreement. In accordance with the agreement, REBgold has completed the minimum investment and as such REBgold owns 18% of the properties as of September 30, 2014. The Company has suspended funding of this project and is in the process of assessing, if any, future participation in this project.

Project Properties

The Rantasalmi Property consists of 10.1 km^2 of claims and claim applications and contains both the Osikonmäki and Pirilä gold occurrences. The main mineralized structure in the Rantasalmi area is the Osikonmäki shear zone, a shear complex, at least 3 kilometres long, hosted by a Proterozoic-aged (1.88 gigaannum) tonalitic intrusion. Most of the drilling to date has focused on the eastern 800 metres of this shear (referred to as Osikonmäki East) where the mineralization is primarily associated with a 45-degree south-dipping shear zone between 4 and 30 metres thick. A series of higher-grade chutes pitch at shallow angles across the plane of the main shear, plunging 20 degrees to the east-southeast, contain the better part of the mineralization and extend for at least 600 metres downplunge. The most recent drilling has identified the presence of hanging wall mineralization, a portion of which is included in the current resource estimate. Beyond the main shear zone, potential exists for gold mineralization in associated structures as indicated by the high-grade mineralization identified at Pirila. Mineralization remains open along strike and down dip at Osikonmäki.

The Kiimala Property consists of 7.8 km^2 of contiguous claims and claim applications with at least 7 drilled gold occurrences (K1 -- K7) occurring from surface. The Kiimala project contains numerous paleoproterezoic gold occurrences in the form of an echelon vein system, two of which (K1 and K3) have been drilled sufficiently to allow for the historical resource calculations.

Resource Estimate	**Tonnes**	**Grade g/t**	**Tonnes/ ounces**
Indicated resources			
Osikonmäki East	1,236,000	**1.7**	**68,000**
K1	3,850,000	**1.19**	**147,000**
Total indicated			**215,000**
Inferred resources			
Osikonmäki East	3,542,000	**2.1**	**244,000**
Total inferred			**244,000**

Historical estimates (1)			
Osikonmäki West	90,000	**4.86**	**14,000**
Pirila	300,000	**6.5**	**63,000**
K3	291,000	**2.5**	**23,000**
Total historical estimates			**244,000**

(1) The historical estimates for the Osikonmäki West, Pirila and K3 zones are based on prior data and reports prepared by previous owners of the properties. A qualified person has not done sufficient work to classify the historical estimates as current mineral resources under NI 43-101. The company is not treating the historical estimates as current mineral resources or mineral reserves. The company considers that the historical estimates should be considered only as historical references of tonnes and grades. No reliance should be placed on these historical estimates.

Subsequent to the latest resource reports, a significant amount of drilling, geochemistry and geophysics has been undertaken with the very encouraging results for expanding existing mineralization and the discovery of other deposits.

For further details of the mineral resource estimate please refer to the historical technical information posted on SEDAR by REBgold Corporation and Belvedere Resources.

B. Suspended Projects

Exploration Alliance – Sturgeon Falls and Five Mile

On October 15, 2010, the Company signed an Exploration Alliance agreement with HudBay. Under the agreement HudBay funded exploration conducted by the Company (as Project Operator) in Michigan and other designated areas. The Company presented HudBay with a minimum of five exploration targets of which four were selected to proceed. Subject to an approval process under the agreement HudBay would fund any such target up to $2,000,000, following which the parties would form a 50/50 joint venture with respect to the target property.

On July 3, 2012 HudBay notified the Company of its intent to terminate the Exploration Alliance agreement. As a result of the termination:

(i) The Company maintained a 100% interest in three properties (properties known as Sturgeon Falls, Five Mile Lake and Bend), that were formerly Exploration Alliance properties.
(ii) There was a balance outstanding on the second advance in the amount of $142,606 effective as of the notification date that was included in the December 31, 2012 consolidated statement of loss and comprehensive loss, as interest and other income.
(iii) There are no further obligations to HudBay in connection with the Exploration Alliance.

The Sturgeon Falls project (a nickel-copper prospect) is located in the Upper Peninsula of Michigan. The Company has completed airborne and ground geophysical surveys and other geological work at Sturgeon Falls identifying a number of drill targets. The Five Mile Lake property (a prospective VMS target) is located in northern Minnesota. The Five Mile Lake property project area occurs within the Archean aged Ely Greenstone Belt and hosts widespread alteration associated with zinc 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 1970's and 1980's, most notably by Newmont Exploration and Teck Cominco. Teck conducted an exploration program in 1994 that consisted of geological mapping, geochemical and geophysical surveys, and minor diamond drilling.

During the year ended December 31, 2013 the Company terminated the agreements for the Sturgeon Falls, and Five Mile Lake properties and as a result wrote off $12,162 of deferred acquisition costs. The remaining value on the former Exploration Alliance properties at December 31, 2013 as pertains entirely to the Bend property reflect no amount, though the Company is continuing on its own with this project.

Other - Vindicator and Moose Pasture

TheVindicator and Moose Pasture projects are early stage gold properties located in the Carolina Slate Belt in the southeastern US. The Vindicator property is located in Haralson County, Georgia where Aquila has acquired a 100% interest in the mineral rights on approximately 600 acres. Widely spaced historical drilling at Vindicator outlined a shallow dipping moderate grade gold zone; however, no resource has been completed at the property. The Moose Pasture property is in Anson County, North Carolina where the Company has acquired 917 acres of mineral and surface rights through a number of property agreements. Aquila has completed compilation of historic exploration data and recently completed exploration activity including mapping and sampling.

During the year ended December 31, 2013 the Company decided not to maintain the Vindicator and Moose Pasture projects and as a result wrote off $239,696 of deferred acquisition costs that had been incurred on those projects.

4. RESULTS OF OPERATIONS

The following table provides selected financial information that should be read in conjunction with the financial statements of the Company. For the three and nine months ended September 30:

	Three months ended		**Nine months ended**	
For the periods ended September 30	**2014**	2013	**2014**	2013
	$	$	**$**	$
Expenses				
Administrative expenses	**152,325**	288,577	**1,139,959**	827,617
Mineral property exploration expenses	**225,617**	9,976	**517,990**	113,827
Finance charges	**46,919**	7,077	**127,931**	10,374
Net loss and comprehensive loss for the year	**424,861**	305,630	**1,785,880**	951,818

Revenues
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.

Administrative expenses
Administrative expenses decreased to $152,325 for the three months ended September 30, 2014 from $288,577 in the same period last year. For the nine months ended September 30, 2014, administrative expenses increased to $1,139,959 from $827,617 in the same period last year. Included in the current period total is a foreign exchange gain of $278,344 for the three months ended September 30, 2014 which is partially offset by the foreign exchange loss of $40,190 recognized in the six months ended June 30, 2014. This resulted in a foreign exchange net gain of $238,154 for nine months ended September 30, 2014 compared to a loss of $7,824 in the same period last year. Operating expenses, excluding the effect of the gain or loss from foreign exchange, were $430,669 and $1,378,112 for the three and nine months ended September 30, 2014, compared to $295,105 and $819,793, respectively, in the same period last year. Significant components and changes in this expense include:

- Salaries and benefits increased to $51,266 for the three months ended September 30, 2014 from $39,920 in the same period last year. For the nine months ended September 30, 2014, salaries and

Aquila Resources Inc.

benefits increased to $164,207 from $141,792 in the same period last year. As a result of the Acquisition Transaction per note 2, the Company has experienced an increase in administrative and personnel costs, and a return to more normal expenditure levels.

- Share based payments, as explained in Note 12(c) to the unaudited condensed consolidated interim financial statements, were Nil for the three and nine months ended September 30, 2014 compared to $143,650 for the year ended December 31, 2013. Yearly and quarterly fluctuations in share based payments expense are dependent on a number of factors including, but not limited to, number of options granted, valuation of options, vesting period and timing. For the three and nine months ended September 30, 2014, the amount of options granted (not related to the transaction) were nil;
- Professional fees significantly increased to $95,744 for three months ended September 30, 2014 from $26,341 in the same period last year. For the nine months ended September 30, 2014, professional fees increased to $160,930 from $127,269 in the same period last year. Legal fees and professional fees in the prior year related to transaction work with the BFJV and HudBay. Current period expenditures are mainly related to general administrative for the corporate legal responsibilities and financial audit fees. As a result of the transaction with REBgold, the Company has expanded the number of entities under the corporate name and resulted in increased administrative costs in this area.
- Management and consulting fees increased to $92,512 for three months ended September 30, 2014, from $75,763 in the same period last year. For the nine months ended September 30, 2014, management and consulting fees significantly increased to $469,000 from $223,015 in the same period last year. The increase is due to the hiring of more full time management and consultants to advance the Company's assets as a result of the Acquisition Transaction per note 2.
- Director fees increased to $44,492 for the three months ended September 30, 2014 from Nil in the same periods last year. For the nine months ended September 30, 2014, director fees increased to $114,238 from Nil in the same period last year. In an effort to reduce costs in the prior year, director fees were suspended. The director fees have been reinstated for the current period.
- Travel and promotion costs decreased to $14,456 for the three months ended September 30, 2014 from $25,592 in the same period last year. For the nine months ended September 30, 2014, travel and promotion costs increased to $131,641 from $69,347 in the same period last year. As a result of the Acquisition Transaction per note 2, there has been an increase in travel expense for site visits to Michigan by management, consultants and investor groups.
- Office and administrative costs increased to $113,630 for the three months ended September 30, 2014 from $37,967 in the same period last year. For the nine months ended September 30, 2014, office and administrative costs increased to $278,705 from $88,828 in the same period last year. Once again, the increase is a result of increased overhead expenses following the Acquisition Transaction and increased activity at the Back Forty project.
- The Company had a foreign exchange gain of $278,344 for the three months ended September 30, 2014 compared to a gain of $6,528 in the same period last year. For the nine months ended September 30, 2014, the Company had a net foreign currency exchange gain of $238,154 compared to a loss of $7,824 in the same period last year. The gain is the result of having a significant Canadian dollar liability, that when converted to the reporting currency of the financial statements, creates a foreign currency exchange gain as a result of the Canadian dollar decreasing value relative to the United States dollar for the period ended.

Overall, the Company focused on reduction of overhead expenses, and a care and maintenance program for project expenditures in order to conserve cash for the year ended December 31, 2013. As a result of the Acquisition Transaction and related financing, expenditures in the first nine months of 2014 have ramped up in order to advance the Company projects. The Company continues to prudently manage its cash by deferring certain operating costs until additional financing can be obtained.

Mineral Property Exploration Expenditures

For the three months ended September 30, 2014 these expenditures increased to $225,617 from $9,976 in the same period last year. For the nine months ended September 30, 2014, mineral property exploration expenditures increased to $517,990 from $113,827 in the same period last year. In the prior year, project expenditures were put on a care and maintenance program in order to reduce expenses and cash flow. In the current period, the increase is from the update work on the new PEA for the Back Forty project, as well as the start of permitting work.

In the prior year, the majority of the project expenditures were incurred on the Reef Gold project.

5. Quarterly Information

Selected quarterly information for the eight most recently completed quarters is presented below in Canadian currency ($), and in accordance with Canadian generally accepted accounting principles.

(000's)	2014			2013				2012
	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $
Transaction Costs	-	-	-	(1,032)	-	-	-	-
(Loss) for the period	(425)	(890)	(471)	(852)	(305)	(346)	(299)	(4,085)
(Loss) per share	(0.00)	(0.01)	(0.00)	(0.02)	(0.00)	(0.01)	(0.00)	(0.03)

During the fourth quarter of 2013, the Company finalized the Acquisition Transactions (Section 2) and incurred additional transactions costs of $1.032 million. In the second quarter of 2013 the Company wrote off a mineral property and recognized approximately $280,000 as an expense in that quarter. During 2013, the Company focused on reducing costs in overhead and general expenses, as well as reduction in exploration and development expenditures in an effort to conserve cash. Exploration and development expenditures decreased to $125,658 for the year ended December 31, 2013 compared to $797,562 for the year ended December 31, 2012. For the nine month period ended September 30, 2014, exploration and development expenditures of $517,990 have surpassed the prior year's expenses.

During the fourth quarter of 2012, interest and other income of $172,945 was recognized, primarily from recognizing the remaining balance outstanding on the Exploration Alliance advance as disclosed in Note 6(b) of the Company's December 31, 2012 financial statements. In addition, a mineral property write off, in connection with the Michigan Gold properties, was also recorded in the amount of $576,641, as well as the net adjustment for the change in accounting policy in expensing the capitalized exploration and development expenses in the amount of $797,562 that were previously capitalized in the first three quarters.

6. Liquidity and Capital Resources

At September 30, 2014, the Company had cash of $1,205,189 compared to cash of $289,349 and cash receivable from the Arrangement of $4,221,730 (See "Acquisition Transactions" - Section 2) as of December 31, 2013. The Company had a working capital deficit of $257,257 as at September 30, 2014 compared to working capital of $2,786,429 as at December 31, 2013. The decrease in the Company's working capital is the result of the Company incurring expenditures on its core projects and Company overhead. The Company is evaluating alternative financing options to support working capital requirements and to fund its next phase of development

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placement offerings to accredited investors and institutions. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing, or that such access will be timely and in the amounts necessary to fund the Company's activities. There are many conditions beyond the Company's control which have a direct impact on the level of investor interest in the purchase of Company securities. The Company may also attempt to generate additional working capital through the operation, development, sale or possible joint venture development of its properties. However, there is no assurance that any such activity will generate funds that will be available for operations. See "Risks and uncertainties".

The following are the capital financings completed by the Company in the last two years;

- On September 19, 2014 the Company completed a private placement and issued 8,972,354 units consisting of a common share and a full warrant at a price per unit of CDN $0.13 for gross proceeds of $1,071,111.

- During the period ended September 30, 2014, 40,273 common shares were issued with a value of $4,531. The shares were issued in satisfaction of obligations payable to vendors for services rendered. The value was equal to the value of the services.

- During the year ended December 31, 2013 the Company completed a private placement and issued 5,890,000 units consisting of a common share and a half warrant at a price per unit of CDN$0.10 for gross proceeds of $579,752. Each full warrant entitles the holder to purchase a common share of the Company for a period of 5 years from date of issue at an exercise price of CDN$0.20 per share. In addition 183,750 broker warrants were issued entitling the holder to purchase a common share of the Company for a period of 5 years from date of issue at an exercise price of CDN$0.12 per share.

- As part of the Acquisition Transactions, REBgold completed a non-brokered private placement of REBgold shares for gross proceeds of a CDN$4.85 million at a price of CDN$0.13 per share (the REBgold Financing which closed on January 16, 2014 (See "Acquisition Transactions" – Section 2).

- During the year ended December 31, 2013, 826,494 common shares were issued and 82,443 common shares are issuable with values of $82,395 and $9,525 respectively. The shares were issued under a compensation agreement and the value was equal to the value of the services received.

- During the year ended December 31, 2013 506,035 common shares were issued with a value of $50,525. The shares were issued in satisfaction of obligations payable to vendors for services rendered. The value was equal to the value of the services.

Below is summary of the share capital transactions for Common shares of the Company:

Share Capital

	September 30, 2014		**December 31, 2013**	
	Number of shares	**$ Amount**	**Number of shares**	**$ Amount**
Balance, beginning of year	183,160,901	53,246,720	90,945,168	42,430,879
Shares issued pursuant to a private placement	8,972,354	1,071,111	5,890,000	579,752
Shares issued for debt	-	-	506,035	50,525
Shares issued pursuant compensation arrangement	40,273	4,531	826,494	82,395
Less:				
Share issue costs	-	50,519	-	20,055
Fair value of warrants	-	453,163	-	264,603
Plus issuable shares issued from the Acquisitions				
Shares issued pursuant compensation arrangement	-	-	82,443	9,525
Shares issued pursuant Plan of Arrangement	-	-	64,825,568	7,923,370
Shares issued pursuant HMI Acquisition	-	-	18,650,193	2,279,538
Shares granted pursuant to Acquisitions	-	-	1,435,000	175,394
Balance including issuable shares for Acquisitions	192,173,528	53,818,680	183,160,901	53,246,720

Warrants

There are a total of 18,791,126 warrants outstanding at September 30, 2014 and as at the date hereof with a weighted average exercise price of CDN$0.44. For additional information, refer to note 13 of the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2014.

Options

As at September 30, 2014 there are a total of 14,310,000 stock options outstanding with a weighted average exercise price of CDN$0.16. For additional information, refer to note 12 of the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2014.

Commitments

The Company is not committed to any material capital expenditures at September 30, 2014, or to the date of this MD&A.

In order for the Company to maintain its properties in good standing there are certain lease, option and property acquisition costs it will have to incur, as well as other commitments it has to fulfill, all as disclosed in Note 7 & 9 to the Company's September 30, 2014 financial statements. Any cash outlays required will be met from existing working capital and funding provided by capital markets or other industry partners.

7. MARKET TRENDS

The Company's future financial performance is dependent on many external factors including the prices of certain precious and base metals. The markets for these commodities are volatile and difficult to predict as

Aquila Resources Inc.

they are impacted by many factors including international political, social, and economic conditions. These conditions, combined with volatility in the capital markets, could materially affect the future financial performance of the Company. For a summary of other factors and risks that may affect the Company and its financial position, please refer to “Risks and uncertainties

8. OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2014 and December 31, 2013, the Company does not have any off-balance sheet arrangements.

9. TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee. During the nine months ended September 30, 2014, director’s fees, professional fees and other compensation of directors and key management personnel were as follows:

	Nine months ended September 30	
	2014	2013
	$	$
Short-term compensation and benefits	**559,900**	225,330
Share-based payments (fair value of stock option benefits and share based payments)	**-**	192,132
	559,900	417,472

As at September 30, 2014 $118,890 (2013 - $46,192) is included in accounts payable in connection with amounts due to key directors and management personnel.

During the period ended September 30, 2014 a total of $51,750 (2013 - $17,944) was billed to the Company by a geological consulting company of which the President of the Company’s Aquila USA Inc. subsidiary is a major shareholder. This amount was for professional services provided and reimbursement of out-of-pocket costs.

During the period ended September 30, 2014, the Company was charged legal fees totaling Nil (2013 - $53,836) by a law firm whose partner is an officer of the Company.

During the period ended September 30, 2014 rental expenditures in the amount of $10,800 (2013-$10,800) were paid to a company of which the President of the Company’s Aquila USA Inc. subsidiary is part owner.

Transaction costs that were incurred as a result of the Acquisition Transitions as per notes 7 and 9, included share based payments (options) and the issue of common shares of the Company as compensation to the board and management. Total value of the share based payments and issue of the common shares of the Company, which are included in transaction costs, were valued at $935,075.

10. CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Impairment of mineral property costs

While assessing whether any indications of impairment exist for mineral property costs, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral property costs. Internal sources of information include the manner in which mineral property costs are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral property costs. The Company assesses the carrying values of its mineral property costs at each annual reporting period.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Business Combination versus Asset Acquisition

The assessment of whether an acquisition is considered to meet the definition of a business requires judgment in establishing whether the set of activities acquired represent an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return. Where the acquired operations do not consist of inputs and processes with the ability to create outputs, the definition of business is not met, and the acquisition is treated as an asset acquisition.

Date of Acquisition

There was judgment involved in determining the date of acquisition relating to the Arrangement as the date on which legal approval was received was different from the date of management acquiring effective control.

Contingent Consideration

The valuation of contingent consideration relies on several estimates which include the commencement date of development activities, discount rates on present value calculations and projected annual production estimates.

Functional Currency

The determination of functional currency involves evaluation of numerous factors including, denomination of key expenditures, mind and management, operational locales, and currencies relating to key financing.

11. Change in Accounting Policy

Effective on January 1, 2012, the Company has adopted the following policy with respect to exploration and evaluation expenditures.

Exploration costs are incurred in gathering the information necessary to determine whether a particular property can become a commercially viable operating mine and include costs to determine whether a property adjacent to a property with Proven and Probable Reserves has Proven and Probable Reserves, whether Inferred Resources can be classified as Measured and Indicated Resources, or whether Measured and Indicated Resources can be converted to Proven and Probable Reserves, as defined by National Instrument 43-101. These costs are expensed as incurred. When it has been determined than an exploration property can be economically developed, costs incurred prospectively to develop the property and place it into commercial production are classified as development costs and capitalized as they are incurred until the asset is ready for its intended use. Costs to acquire mineral properties as part of an asset acquisition are capitalized and represent the property's fair value at the time it was acquired.

The Company's previous policy was to capitalize all exploration and evaluation costs. Management has made the voluntary change in accounting policy as management has determined that the expensing of exploration and evaluation expenditures better represents the nature of these costs. The change in accounting policy has resulted in the following changes itemized below.

The impact of this change in policy to the opening January 1, 2012 balances, accordingly an opening statement of financial position which has been presented as follows:

As at January 1, 2012	As reported $	Adjustment $	Restated $
Mineral property	30,347,560	(20,458,582)	9,888,978
Deficit	14,646,644	20,458,582	35,105,226

The impact of the change in policy for the year ended December 31, 2012, on the statement of loss and comprehensive loss are as follows:

For the year ended December 31, 2012	Net Loss As reported $	Adjustment $	Net Loss As Restated $
Exploration and Development expenditures	-	797,562	797,562
Mineral property write-offs	1,742,217	(1,109,498)	632,719
Equity Pick up in HMI	-	2,672,870	2,672,870
	1,742,217	2,360,934	4,103,151

The impact of this change in policy to the opening December 31, 2012 balances, on the opening statement of financial position which are as follows:

As at December 31, 2012	As reported $	Adjustment $	Restated $
Investment in Back Forty JV	27,572,849	(20,951,484)	6,621,365
Mineral property	2,202,779	(1,868,032)	334,747
Deficit	17,124,305	22,819,516	39,943,821
Basic and diluted loss per share	0.03	0.02	0.05

Exploration and evaluation costs that were previously capitalized have now been expensed in the statement of loss and comprehensive loss in accordance with the change in accounting policy. Exploration and evaluation costs that were recorded as an investing activity in the statement of cash flows for the year ended December 31, 2013 and three and nine months ended September 30, 2014 are now recorded as cash flows used in operating activities.

12. Financial Instruments

The Company has not entered into any specialized financial arrangements to minimize its investment risk, currency risk or commodity risk.

Warrants

Equity offerings were completed in previous periods whereby warrants were issued with exercise prices denominated in Canadian dollars. As the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (US dollar), the warrants are treated as a financial liability. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in net earnings. The warrant derivative liability is classified as level 2 in the fair value hierarchy. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of the Canadian dollar denominated warrants.

13. Risks and Uncertainties

The Company's principal activity of mineral exploration is considered to be very high risk and the mining industry in general is intensely competitive in all its phases. Companies involved in this industry are subject to many and varied types of risks, including but not limited to, environmental, commodity prices, political and economic. Some of the more significant risks are:

Commodity Prices

The Company does not own any metal or other mineral producing assets. The profitability of any mining operations in which the Company has an interest will be significantly affected by changes in the market price of the particular commodity. Metal and other mineral prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, central bank sales, world supply of metals and other minerals and stability of exchange rates, among other factors, can cause significant fluctuations in metal and other mineral prices. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of metals and other minerals has historically fluctuated widely and, depending on the price of metals and other minerals, revenues from mining operations may not be sufficient to offset the costs of such operations.

Lack of Cash Flow and Requirements for New Capital

The Company's current operations do not generate any positive cash flow and it is not anticipated that any positive cash flow will be generated in the near future. The Company has limited financial resources and the mining claims, leases and licenses which the Company holds and joint venture agreements to which the Company is a party impose financial obligations on the Company. There can be no assurance that additional funding will be available to allow the Company to fulfill such obligations.

Further exploration and development of the various mineral properties in which the Company holds interests depends upon the Company's ability to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. Failure to obtain additional financing on a timely basis could cause the Company to forfeit all or part of its interests in some or all of its properties or joint ventures and reduce or terminate its operations.

Exploration Risks

Exploration for metals and other minerals is speculative in nature, involves many risks and is frequently unsuccessful. Any exploration program entails risks relating to the location of economic ore bodies, development of appropriate metallurgical processes, receipt of necessary governmental approvals and construction of mining and processing facilities at any site chosen for mining. The commercial viability of a mineral deposit is dependent on a number of factors including the price of the commodities, exchange rates, the particular attributes of the deposit, such as its size, grade and proximity to infrastructure, as well as other factors including financing costs, taxation, royalties, land tenure, land use, water use, power use, import and export costs and environmental protection. The effect of these factors cannot be accurately predicted.

All of the resource properties in which the Company has an interest or right are in the exploration and development stages only and are without reserves of metals or other minerals. There can be no assurance that the current or proposed exploration or development programs on properties in which the Company has an interest will result in the discovery of economic mineralization or will result in a profitable commercial mining operation.

Lack of Operating History and Operational Control

The Company has no current source of revenue and its ultimate success will depend on its ability to generate profits from its properties. The Company currently has no producing properties and operates at a loss. The Company's commercial viability is largely dependent on the successful commercial development of its properties.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, labour relations, repatriation of income and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

The Company has exploration projects in Wisconsin and Michigan where mining projects have been opposed in recent years. Each mining project of the Company will face unique environmental and social issues in the permitting process. There are no guarantees that permitting of a particular project will be achieved.

Competition

The Company competes with numerous other individuals and companies possessing greater financial resources and technical facilities in the search for and acquisition of attractive mineral properties.

Management; Dependence on Key Personnel

Investors will be relying on the good faith, experience and judgment of the Company's management and advisors in supervising and providing for the effective management of the business and the operations of the Company. The Company may need to recruit additional qualified personnel to supplement existing management. The Company is dependent on a relatively small number of key personnel the loss of any one of whom could have an adverse effect on the Company. In addition, while certain of the Company's officers and directors have experience in the exploration and operation of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms. Certain directors and officers of the Company are associated with other natural resource exploration companies and may from time to time be in a conflict of interest. Directors and officers will be required pursuant to applicable corporation law to disclose any conflicts and directors will be required to abstain from voting in respect thereof.

Title Matters

The Company has investigated its rights to explore, exploit and develop its various properties and, to the best of its knowledge, those rights are in good standing. No assurance can be given that such exploration and mining authorities will not be challenged or impugned by third parties. In addition, there can be no assurance that the properties in which the Company has an interest are not subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects.

In addition, the Company's property interests do comprehensively extend to all claim units in all areas and there is a risk that commercially exploitable metal or other mineral deposits are located on adjoining properties which are not owned by the Company.

Aboriginal Land Claims

No assurance can be given that aboriginal land claims will not be asserted in the future in which event the Company operations and title to its properties may potentially be seriously adversely affected.

Environmental Risk

The Company currently has a US$100,000 deposit for potential reclamation costs as part of an agreement to acquire a property. The Company is required to remediate lands that are subject to exploration on an ongoing basis. The financial impact to the Company is expected to be minimal given any surface disturbance is limited in nature. The Company undertakes to observe and adhere by all environmental laws and exploration best practices of the jurisdictions in which it operates.

With respect to environmental regulation, 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 can be no assurance that future changes to environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards that have been caused by previous or existing owners or operators of the properties may exist on the properties in which the Company holds interests, and may contravene existing or future regulatory standards.

Currency Risk

Currency fluctuations may affect the funds available to the Company as well as the cash flow that the Company may realize from its operations, since metals and other minerals are sold in a world market in U.S. dollars. The Company's costs are incurred in U.S. dollars and Canadian dollars.

14. Disclosure Controls

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 September 30, 2014. 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 September 30, 2014.

The CEO and CFO are also required, under NI 52-109, to file certifications of the interim 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 IFRS.

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 September 30, 2014.

Other

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.