AQUILA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
Period Ended June 30, 2007

Introduction

The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited financial statements of the Company dated December 31, 2006, which were prepared in accordance with generally accepted accounting principal in Canada (Canadian GAAP). Additional information is contained in the Annual and Special Meeting and Management Proxy and Information Circular of JML Resources Ltd. and Aquila Resources Corp. dated March 22, 2006. Financial information for Aquila Resources Inc. and Aquila Resources Corp. are filed at www.sedar.com. The Company's shares are listed on the TSX under the symbol AQA, and its reporting currency is the Canadian dollar. Previously, certain financial disclosure of the Company has been in U.S. dollars. All amounts following are expressed in Canadian dollars unless otherwise stated. This Management Discussion and Analysis (MD&A) is dated August 13, 2007.

Forward Looking Statements
This report may contain forward-looking statements that involve a number of risks and uncertainties including statements regarding the outlook for the Company's business and operational results. By nature, these risks and uncertainties could cause actual results to differ materially from what has been indicated. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined from estimates, capital and operating costs varying significantly from estimates, aboriginal challenges, delays in or failure to obtain governmental, environmental or other project approvals and other factors including those risks and uncertainties identified above. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information as a result of new information, future results or other such factors which affect this information, except as required by law.

1. Overview

Aquila Resources Inc. (formerly JML Resources Ltd.) was incorporated in the Province of Ontario as 1223068 Ontario Limited by Articles of Incorporation dated February 17, 1997. The Company is a reporting issuer in Ontario, British Columbia, Alberta, Saskatchewan and Nova Scotia.

At a Special Meeting of shareholders of JML Resources Ltd. (JML) held on April 17, 2006. It was approved that JML:

(a) Amend its Articles to change its name to Aquila Resources Inc.
(b) Consolidate its common shares on a one for three (1:3) basis
(c) Acquire the issued and outstanding shares of Aquila Resources Corp. and 2079537 Ontario Ltd. (Cashco) as a reverse takeover of JML

The Company carries on the business of mineral exploration and is a mineral exploration company. Exploration expenditures on the Company's projects are funded from the equity capital raised by the Company. Aquila Resources Corp. entered into a reverse takeover transaction with JML (the "RTO") for the purpose of becoming a public reporting issuer, raising financing and continuing mineral exploration with the focus on a volcanogenic massive sulfide (VMS) project located in the state of Michigan, U.S.A. The principal focus of the resulting company is the exploration of the Back Forty Project located in Menominee County, Michigan.

Back Forty Project

The Back Forty is an advanced exploration project. It is located within early Proterozoic aged volcanic rocks of Michigan, the eastern extension of the Penokean Volcanic Belt ("PVB") on the southern edge of the Superior Province of the Canadian Shield. The PVB hosts several other significant VMS deposits including the Flambeau and the Crandon deposits which lie approximately 150 and 50 miles west of the Back Forty Project area.

An updated NI 43-101 compliant resource estimate was announced by the Company on April 25, 2007. The resource was prepared by Eric Chapman, P. Geol of Datamine International, and reviewed by independent Qualified Person Theodore A. DeMatties, P. Geol. The updated resource estimate contains 6.6 million tonnes in the measured and indicated category and 1.75 million tonnes in the inferred category, and more than doubles the previous inferred resource estimate of 3.1 million tonnes (DeMatties and Monroe August 2005).

The resource consists of massive sulfide, gossan, and stringer sulfide mineralization associated with the East Zone, Hinge and South Limb of the Main Zone, the Tuff Zone and Pinwheel Zone, but does not include mineralization associated with the Deep Zone, or gold mineralization associated with porphyry intrusion margins and the 90 Gold Zone.

Measured + Indicated* Resource Summary

Zone	Tonnes	Zn (%)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)
Pinwheel Gossan	164,487	0.01	7.49	123.05	0.92	0.20
East Zone Gossan	67,816	0.01	21.79	8.49	0.03	0.03
Total Gossan	**232,303**	**0.01**	**11.66**	**89.60**	**0.66**	**0.15**
Main Zone Hinge and Main Zone South Limb Massive Sulfide	4,094,671	6.58	1.83	18.59	0.25	0.16
Pinwheel Massive Sulfide	1,084,489	1.02	1.78	56.95	1.75	0.16
East Zone Massive Sulfide	957,451	5.64	2.75	17.51	0.40	0.07
Tuff Zone Massive Sulfide	269,381	7.00	1.44	57.25	0.06	1.74
Total Massive Sulfide	**6,405,992**	**5.51**	**1.94**	**26.55**	**0.52**	**0.21**
Total Measured and Indicated	**6,638,295**	**5.32**	**2.28**	**28.76**	**0.52**	**0.21**

***Mineral resources not classified as reserves do not have demonstrated economic viability, and may be materially affected by environmental, permitting, legal, socio-political or other factors.**

Inferred Resource Summary - Massive Sulfide, Gossan, and Stringer**						
Zone	**Tonnes**	**Zn (%)**	**Au (g/t)**	**Ag (g/t)**	**Cu (%)**	**Pb (%)**
Pinwheel Gossan	4,820	0.01	26.34	103.30	0.23	0.11
East End Gossan	1,955	0.01	19.46	7.20	0.04	0.04
Total Gossan	**6,775**	**0.01**	**24.35**	**75.57**	**0.18**	**0.09**
Tuff Zone Massive Sulfide	585,600	6.62	1.89	63.01	0.06	1.74
Main Zone Hinge and Main Zone South Limb Massive Sulfide	5,574	4.62	1.37	15.01	0.18	0.09
Pinwheel Massive Sulfide	0	0.00	0.00	0.00	0.00	0.00
East Zone Massive Sulfide	0	0.00	0.00	0.00	0.00	0.00
Total Massive Sulfide	**591,174**	**6.60**	**1.89**	**62.56**	**0.06**	**1.72**
Stringer Sulfides	**1,156,123**	**0.58**	**3.17**	**16.74**	**0.19**	**0.09**
Total Inferred	**1,754,072**	**2.61**	**2.82**	**32.41**	**0.15**	**0.64**

** **Inferred resources are conceptual in nature and are based on limited sampling, and will require additional exploration to upgrade to a measured or indicated category. Mineral resources not classified as reserves do not have demonstrated economic viability, and may be materially affected by environmental, permitting, legal, socio-political or other factors.**

At the Back Forty Project three lenses of zinc and gold-rich massive sulfide and associated gossan mineralization have been identified to date in a thick, intensely altered, and locally gold-bearing sequence of rhyolites, tuffaceous sediments, and intrusive porphyries. Aquila currently controls approximately 9,700 acres of mineral and surface rights in the immediate vicinity of the sulfide mineralization, as well as along the trend of prospective host rocks. The known sulfide zones are open to expansion and ground and airborne geophysical surveys indicate potential extensions of known zones as well as possible additional horizons.

Ownership of mineral interests are 100% 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 subject to an overriding 7% net distributable earnings royalty ("net profits after payback") payable to a former joint venture partner.

2. Operating Highlights

In May 2007 a second and third drill were added in order to continue the definition and expansion of known mineralized zones at the Back Forty Project. Results from drilling included the widest zinc intercept to date for Aquila, with an intercept of 87 meters of 9.8% zinc, 2.32 g/t gold and 36 meters of 17.5% zinc. Drill results from the project were announced in press releases on April 5 and May 7, 2007.

An updated NI 43-101 compliant resource estimate was announced by the Company on April 25, 2007. The resource was prepared by Eric Chapman, P. Geol. of Datamine International, and reviewed by independent Qualified Person Theodore A. DeMatties, P. Geol. The updated resource estimate contains 6.6 million tonnes in the measured and indicated category and 1.75 million tonnes in the inferred category and are outlined in chart form elsewhere in this document.

The Company exercised a purchase option on a key mineral property in the amount of $586,431 . (see Related Party Transactions) The Company also repaid principal and interest on two mortgages on property held in trust by the President and CEO and his spouse. Both properties are part of the Back Forty Project and represent key parcels of mineral rights.

3. Selected Financial Information

As an exploration company, the Company has no revenues. 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.

	2007 Quarter ended June 30	2006 Quarter ended June 30	2006 Year ended December 31	2005 Year ended December 31 (US$)
Interest and other income and gain on sale of marketable securities	($244,410)	$ -	($51,148)	$ -
Operating Expenses	3,778,007	2,133,817	3,097,861	362,915
Net loss	3,281,363	2,133,817	3,046,713	362,915
Loss per share	0.02	0.04	0.08	0.01
Mining interest	11,972,622	5,536,535	9,281,217	4,602,559
Cash	20,618,352	2,296,645	24,034,601	279
Total assets	33,565,651	8,621,431	34,674,923	5,359,413

Note: Comparative financial statements for 2005 are those of Aquila Resources Corp.

4. Results from Operations

The Company's operations involve exploration of its properties located in Menominee County, Michigan. The Company has no income from mining operations. The net loss recorded by the Company for the period ending June 30, 2007 was $1,002,538. The 2006 period post May 2, 2006 marked the start of the Company operating as a public company following the merger.

5. Translation of Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated into Canadian dollars at approximate exchange rates prevailing at the transaction date. Revenue and expenses are translated at average exchange rates prevailing during the year. The resulting gains and losses are included in loss for the year.

6. 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. The Company will from time to time earn interest from funds on deposit. Interest revenue from the first six months of the 2007 was $496,644 and for the three month period ended June 2006 was $244,410.

7. Expenses

	For the quarter ending June 30, 2007	For the quarter ending June 30, 2006
Stock Option Compensation Cost	-	$1,839,626
Consulting Fees	32,320	123,494
Foreign Exchange loss (gain)	872,936	(20,165)
General Office & Administration	12,484	31,363
Travel and Promotion	14,422	29,193
Professional Fees	19,315	57,079
Regulatory Fees	182,280	-

During the quarter ending June 30, 2007, the Company incurred total expenses in the amount of $1,246,948. Material variances were noted in the expense categories presented above as the Company had additional costs relating to the business commencing operation as a public company in 2006. Professional fees and consulting fees (unrelated to mineral interests) were material factors.

8. Exploration Expenditures for the Quarter

	Back Forty Project (CDN$)		
	Q2 2007	Q1 2007	Year To Date 2007
Wages	217,251	195,244	412,495
Assays	3,303	2,315	5,618
Geophysics	48,290	43,297	91,587
Drilling	601,496	258,357	859,853
Consulting/Legal	254,204	35,544	289,748
Operator	75,855	159,229	235,084
Property Payments	622,239	48,697	670,936
Administration	23,234	36,013	59,247
Other	63,584	113,530	177,114
Total	1,909,456	892,226	2,801,682

9. Summary of Quarterly Results

Selected financial information for the eight fiscal quarters of 2007, 2006 and 2005 are presented below:

Quarterly Financial Information (unaudited)

	2007 Q2	**2007 Q1**	**2006 Q4**	**2006 Q3**
(a) Interest and Other Income	$244,410	$252,235	$51,148	-
(b) Net Income (loss)	($1,002,538)	($2,168,548)	($675,264)	($181,839)
(c) Net Income (loss) per share (Basic)	(0.02)	(0.03)	($0.01)	($0.05)

	2006 Q2	**2006 Q1**	**2005 Q4**	**2005 Q3**
(a) Interest and Other Income	-	-	-	-
(b) Net Income (loss)	($2,133,817)	US$(55,793)	US$(56,471)	US$($66,094)
(c) Net Income (loss) per share (Basic)	($0.01)	($0.01)	($0.01)	($0.01)

Note: Comparative figures above for Q3 and Q4 2005 and Q1 2006 are for Aquila Resources Corp.

10. Financial Condition

Liquidity and Capital Resources

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

Liabilities at June 30, 2007 consist of short term trade payables and accrued liabilities of $574,090.

The Company has sufficient funds on hand to finance the operations of the Company in the near term. The Company remains dependent on equity financing to fund its ongoing requirements beyond the closing. Alternative sources of capital are funding from industry partners through joint ventures.

Contractual Obligations

The Company terminated its existing investor relations consulting agreement to provide investor relations services to the Company. The contract involved a cash payment of $5,000 per month. . Subsequent to the period end the Company entered into investor relations agreements with two firms. Total compensation payable for both contracts is $12,000 per month.($6,000 each monthly). The Company also granted 300,000 options at an exercise price of $1.55 per common share as part of the compensation. The options vest over a period of eighteen months.

The Company has a rental commitment on a month to month basis for office space at approximately $1,400 per month.

The Company routinely enters into significant contracts relating to its exploration activities and environmental programs which involve ongoing commitments as services are provided.

Property

The Company has contractual obligations with respect to the Back Forty Project located in Menominee County, Michigan. The Company is required to make principal payments on mortgages for land held by the Company for the purpose of exploration of which US$21,167 are payable in 2007 and US$22,511 are payable in 2008. A total of US$2,235,034 is due for mineral interests during 2007 based on anticipated expenditures by the Company which are subject to change.

In 2006 the Company entered into an agreement to option known extensions of the mineralization at the Back Forty Project during the third quarter. Aquila can acquire a 100% interest in the approximately 50 acre property by completing a series of annual option payments totaling US$11.7 million. The Company paid US$1.333 million on closing in August 2006. The option payments for 2007 and 2008 are US$1.333 million each year. Subsequent to the period end the Company made the 2007 payment in the amount of US$1,333,333.

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

Additional information concerning the carrying costs of the Back Forty Project is contained in Note 3 to the June 30 unaudited financial statements of Aquila Resources Inc.

11. Share Capital

Common Shares

The Company had 39,094,080 post consolidation shares outstanding immediately following completion of the RTO including shares issued for finder's fees and broker's commission relating to the financings.

As at June 30, 2007 there were 70,109,478 shares outstanding. A total of 11,829,500 units consisting of a common share and full warrant were issued at a price of $0.20 per unit for the RTO financing. The unit warrants were all exercised at a price of $0.30 per warrant. In December 2006 15,515,151 units were issued at a price of $1.65 per unit; each unit consisting of a common share and a half warrant exercisable at $2.15 per common share.

A schedule of share issuances are included in the unaudited financial statements for June 30, 3007 in Note 7(a).

Warrants

There are 8,843,635 warrants and broker warrants outstanding as at June 30, 2007. The warrants have an accelerator feature if the common shares trade at or above $2.65 for more than 20 business days.

Options

There were a total of 3,530,000 stock options outstanding as at June 30, 2007 with exercise prices ranging from $0.30 to $2.15.

12. Off-Balance Sheet Arrangements

As at June 30, 2007, the Company does not have any off-balance sheet arrangements.

13. Transactions with Related Parties

The Company, in the normal course of business, has transactions with the President and CEO of the Company, the Chairman and CFO, by a geological consulting company of which the President and CEO and another director are major shareholders and other companies that are controlled by or have common directors with certain directors of the Company. Related party expenditures during the year period are considered in the normal course of business and are billed at market rates.

For the three month period ended June 30, 2007 management fees amounting to $18,750 (2006 - $6,105) were charged by a company controlled by the CFO of the Company. Other related party transactions are described in Note 4 to the unaudited financial statements for the period ending June 30, 2007.

Transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

Management 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, our Disclosure Policy, our Code of Business Ethics, the effective functioning of our Audit Committees, 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&As, 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 June 30, 2007. 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 June 30, 2007.

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

16. Accounting Standards and Policies - Critical Accounting Estimates

Critical accounting estimates that require judgment are used in the preparation of the consolidated financial statements. The carrying values of mining interests are the lower of the historic cost and the recoverability of the recorded value of the mining interests. The recoverability of the recorded value of mining interests is based on market conditions for minerals, the minerals associated with the properties and the future costs that could be required to develop the properties or the potential for the sale to a third party of the mining interests.

The Company has adopted the recommendations of The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments in 2002. The Company has elected to account for all stock options by applying the fair value-based method of accounting. Options are valued using the Black-Scholes pricing model to value options granted. The resulting value is charged against income over the vesting period of the option. The method involves the use of estimates and may not be accurate.

17. Risks and Uncertainties

The Back Forty Project is the material mineral project of the Company and consequently unless the Company acquires additional similar quality properties or projects any adverse development affecting the Back Forty Project could have a material adverse effect on the Company. The other project of the Company is the Cedros Property which is located in Honduras. The Company has entered into an agreement to acquire title to the Cedros Property. As of the date hereof the title has not been transferred to the Company. If the title is not transferred 1,000,000 of the Company's shares, which are held in escrow, will be returned to the Company and cancelled.

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 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 and the possibility of legal challenges from environmental and aboriginal groups. These are not an exhaustive list of the risks associated with the business.

18. Subsequent Events

The Company made an option payment of US$1,333,333 on a 50 acre parcel of surface and mineral rights which is part of the Back Forty Project. The Company entered into two investor relations contracts on terms outlined under Contractual Obligations in Section 10 above.

19. Officers and Directors

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

Thomas O. Quigley – President, CEO and Director
Robin E. Dunbar – CFO, Chairman and Director
Nadim Wakeam – Corporate Secretary
Robin Quigley – Assistant Corporate Secretary
Alvin W. Jackson – Director
Edward Munden – Director
Peter M.D. Bradshaw – Director
William J. West – 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.