AQUILA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
Period Ended September 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 Principles 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 November 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 Project 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
NI 43-101 Report April 25, 2007

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 NI 43-101 Report April 25, 2007						
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

The current operational focus of the Company is the advancement of the Back Forty Project. Ongoing work conducted during the quarter consisted of exploration activities, metallurgical studies as well as environmental baseline monitoring.

There were three drills active at the project during the quarter. Drilling at the Back Forty Project has continued to intersect high grade zinc and gold in several zones. The drilling completed during the quarter expanded the known zones of mineralization and included further definition of the Main Zone Hinge and the Pinwheel Zone. Significant intercepts included 60.6 meters at 6.4% zinc and 34.1 meters at 11% zinc from the Main Zone Hinge and included 23.5 meters of 3.1 g/t gold and 2% zinc from the Pinwheel Zone.

Significant gold intercepts generated from several other zones including 6.0 meters of 17.9 g/t gold from the PM Gold Zone. The overall potential of gold bearing zones such as the PM Zone and the 90 Gold Zone remains relatively untested and will be an attractive future target for resource drilling. Results to date are highly encouraging.

The current phase of drilling is expected to continue through 2007 and into 2008. A new resource is expected to be completed in 2008.

Ongoing metallurgical testwork is also being completed on composite samples from the Back Forty Project which will be incorporated into a scoping study to be commenced in 2008.

Please see our web site for additional information, www.aquilaresources.com.

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 September 30	2006 Quarter ended September 30	2006 Year ended December 31	2005 Year ended December 31 (US$)
Interest and other income and gain on sale of marketable securities	($219,866)	$ -	($51,148)	$ -
Operating Expenses	694,660	181,839	3,097,861	362,915
Net loss	474,794	181,839	3,046,713	362,915
Loss per share	0.01	0.07	0.08	0.01
Mining interest	16,237,891	7,913,955	9,281,217	4,602,559
Cash	16,201,101	1,904,368	24,034,601	279
Total assets	33,435,999	10,724,400	34,675,923	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 September 30, 2007 was $474,794. Significant items contributing to the loss included the foreign exchange loss expense of $447,245. There was interest income of $219,866 during the period.

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 nine months of the 2007 was $716,510 and for the three month period ended September 2007 was $219,866.

7. Expenses

	For the quarter ending September 30, 2007	For the quarter ending September 30, 2006
Stock Option Compensation Cost		
Consulting Fees	14,150	11,900
Foreign Exchange loss (gain)	447,245	7,289
General Office & Administration	11,219	3,705
Travel and Promotion	15,131	11,853
Professional Fees	25,763	53,179
Regulatory Fees	10,244	-

During the quarter ending September 30, 2007, the Company incurred total expenses in the amount of $694,660. 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$) Q3 2007	Q2 2007	Q1 2007	Year To Date 2007
Wages	243,184	217,251	195,244	655,679
Assays	102,902	3,303	2,315	108,520
Geophysics	581,318	48,290	43,297	672,905
Drilling	1,097,210	601,496	258,357	1,957,063
Consulting/Legal	566,866	254,204	35,544	856,614
Operator	29,302	75,855	159,229	264,386
Property Payments	1,392,906	622,239	48,697	2,063,842
Administration	8,994	23,234	36,013	68,241
Other	135,211	63,584	113,530	312,322
Total	4,157,893	1,909,456	892,226	6,959,572

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 Q3	**2007 Q2**	**2007 Q1**	**2006 Q4**
(a) Interest and Other Income	219,866	$244,410	$252,235	$51,148
(b) Net Income (loss)	($474,794)	($1,002,538)	($2,168,548)	($675,264)
(c) Net Income (loss) per share (Basic)	(0.01)	(0.02)	(0.03)	($0.01)

	2006 Q3	**2006 Q2**	**2006 Q1**	**2005 Q4**
(a) Interest and Other Income	-	-	-	-
(b) Net Income (loss)	($181,839)	($2,133,817)	US$(55,793)	US$(56,471)
(c) Net Income (loss) per share (Basic)	($0.07)	($0.01)	($0.01)	($0.01)

Note: Comparative figures above for 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 September 30, 2007 consist of short term trade payables and accrued liabilities of $808,955.

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 has two investor relation contracts in place. Total compensation payable for both contracts is $12,000 per month ($6,000 each monthly). The Company has 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. A total of approximately US$2,235,034 is due for mineral interests during 2007 based on anticipated expenditures by the Company which are subject to change. Of this amount all 2007 land payments have been made.

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 in August 2007 which was the second installment payable. The next option payment due is in August 2008 (US$1.333 million). There is US$ 9.1 million remaining in this option.

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 September 30 unaudited financial statements of Aquila Resources Inc.

11. Share Capital

Common Shares

As at September 30, 2007 there were 70,109,478 shares outstanding. No shares were issued during the quarter.

A schedule of share issuances from December 31, 2004 is included in the unaudited financial statements for September 30, 3007 in Note 7(a).

Warrants

There are 8,843,635 warrants and broker warrants outstanding as at September 30, 2007. The warrants have an accelerator feature if the common shares trade at or above $2.65 for more than 20 business days. The warrants expire December 15, 2008.

Options

There were a total of 4,250,000 stock options outstanding as at September 30, 2007 with exercise prices ranging from $0.30 to $2.15. The change over second quarter 2007 is the issuance of 300,000 incentive options at $1.55 for investor relations consultants.

12. Off-Balance Sheet Arrangements

As at September 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 period are considered in the normal course of business and are billed at market rates.

For the three month period ended September 30, 2007 management fees amounting to $18,750 (2006 - $24,980) 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 September 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&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, 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 September 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

Subsequent to the quarter end, 8,258,211 escrow shares held under a TSX Venture Exchange value escrow were released.

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.