AQUILA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2008

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 March 31, 2008, which were prepared in accordance with generally accepted accounting principals in Canada (Canadian GAAP). Financial information for Aquila Resources Inc. is 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 had 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 May 8, 2008.

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.

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.

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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
March 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 March 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.

Since completion of the resource calculation dated March 2007 more than 150 additional drill holes have been completed at the property primarily with the objective of increasing the resource at the property. Drilling has defined extensions to the Pinwheel Zone, the Main and Hinge Zones and has also defined gold/silver only mineralization at the PM Zone and the 90 Gold Zone. Some of the zones remain open for continued expansion. New drill intercepts in rocks proximal to the known zones remain to be followed up on by future drilling.

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.

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2. Operating Highlights

The exploration program during the first quarter of 2008 focused on continued expansion and definition of resources. This included both primary gold mineralization and zinc and copper bearing volcanogenic massive sulfides.

As of the end of the first quarter the Company had released results up to drill hole LK-282 with additional drill holes drilled and results pending and due to be released in the future. Drilling is expected to result in significant expansion to several of the mineralized zones. Results from drilling are contained in press releases found on SEDAR at www.sedar.com as well as on the Company's website at www.aquilaresources.com.

The Company announced during the first quarter that it had engaged the professional services of SRK Consulting to complete a resource calculation for the Back Forty Project. The resource calculation is expected to be completed during the third quarter of 2008.

During the first quarter the Company announced the appointment of Micheal L. Surratt to the board of directors and Peter M.D. Bradshaw to the position of Chairman of the board of directors.

The net loss recorded by the Company for the period ending March 31, 2008 was $294,829 compared to the net loss of $2,420,783 for the quarter ended March 31, 2007.

The Company is a reporting issuer in Ontario, British Columbia, Alberta, Saskatchewan and Nova Scotia. During 2007 the Company listed on the TSX. Previously the Company was listed on the TSX Venture Exchange.

3. Selected Financial Information

As an exploration company, the Company has no revenue from operations. The Company is dependent on the equity markets to fund its exploration activities. During the year the Company recorded significant interest from funds on deposit.

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

	Three months ended March 31, 2008	*Three months ended March 31, 2007*	*Year ended December 31, 2007*	*Year ended December 31, 2006*
Interest and other income	$(109,424)	$(252,235)	$ (880,285)	$(51,148)
Operating Expenses	$404,253	$2,420,783	$5,720,325	$3,097,861
Net loss	$294,829	$2,420,783	$4,840,040	$3,046,713
Loss per share	$0.01	$0.03	$0.07	$ 0.08
Mining interest	$21,200,991	$10,173,443	$18,136,287	$9,281,217
Cash	$10,869,877	$23,355,034	$13,416,459	$24,034,601
Total assets	$33,285,390	$34,874,289	$32,573,175	$34,675,923

4. Results from Operations

The Company's operations involve exploration of its mineral exploration property located in Menominee County, Michigan. The Company has no income from its operations. During the period ending March 31, 2008 the Company incurred a loss of $0.004 per share (basic and diluted). The comparable loss per share for the prior quarter period was $0.03. The Company commenced operations as a public company May 2, 2006 with proceeds of the financing arranged as part of the reverse takeover transaction of JML Resources Ltd. by Aquila Resources Corp. A significant component to the loss for the year was attributable in large part to the Stock based compensation (a cost incurred as a result of granting of stock options), an expense of $308,400 (March 31, 2007 -$2,360,307). The loss before interest and other income was $404,253 (March 31, 2007 - $2,420,783). Foreign exchange gain for the quarter was $157,505 (March 31, 2007 – a loss of $104,022).

5. Revenue

None of the Company's properties have advanced to the point where a production decision can be made. As a consequence, the company has no producing properties and no sales or revenues. The Company will from time to time earn interest from funds on deposit. Revenue from interest for the quarter was $109,424 (March 31, 2007 - $252,235). Lower interest rates and reduced funds on deposit accounted for the decrease in interest income.

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6. Expenses

	For the quarter ending March 31, 2008	For the quarter ending March 31, 2007
Stock Option Compensation Cost	$308,400	$2,139,402
Foreign Exchange loss (gain)	(157,505)	104,022
Travel and Promotion	89,997	19,509
Directors Fees	21,000	-
Filing and regulatory fees	22,096	26,035

During the quarter ending March 31, 2008, the Company incurred total expenses in the amount of $404,253 (March 31, 2007 - $2,420,783). Notable expense items and material variance are noted in the table above. Stock option compensation cost increased due to the lower number of options issued for the quarter compared to the quarter ending March 31, 2007. Foreign Exchange gain is due to the change in the value of assets as a result of the decreasing Canadian dollar against the US dollar. The Company did not pay Directors Fees to non-executive directors of the Company for the quarter ended March 31, 2007. Travel and promotion increased due to the increased activity of the Company and payments to consultants involved in investor relations activities.

7. Acquisition Costs

Acquisition costs included option payments on mineral and surface rights at the Back Forty Project. The Company exercised an option to purchase a key parcel of mineral and surface rights during the first quarter in the core project area in the amount of US$271,500. The Company also completed the acquisition of a building to be used for office and administration during the period. The total acquisition price was US$225,000.

8. Exploration Expenditures

Drilling and other exploration expenditures are capitalized. Exploration expenditures for the quarter ended March 31, 2008 consumed a significant portion of the cash resources of the Company expended during the period. This reflects the primary goal of the Company which is to expand and delineate the resource at the Back Forty Project as part of the goal of completing a prefeasibility study for the project. Expenditures include wages of geologists, laborers, contractors for drilling and geophysical surveys. In addition to the exploration related expenditures the Company has significant other expenditures for baseline environmental studies and community engagement activities which are part of a process leading to a future permit application for the project. A breakdown of exploration expense for the period is presented below.

	Back Forty Project (CDN$) March 31, 2008		March 31, 2007
Wages	$	189,027	$	195,244
Assays	$	126,411	$	2,315
Geophysics	$	161,763	$	43,297
Drilling	$	1,390,685	$	258,357
Consulting/Legal/Environmental	$	467,796	$	35,544
Property Interests	$	37,448	$	48,697
Administration	$	33,143	$	36,013
Other	$	386,931	$	272,759
Total	$	2,793,204	$	$892,226

9. Summary of Quarterly Results

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

Quarterly Financial Information (unaudited)

		2008 Q1		**2007 Q4**		**2007 Q3**		**2007 Q2**
(a) Interest and Other Income	$	109,424	$	163,774	$	219,866	$	244,410
(b) Net Income (loss)	$	(294,829)	$	(1,194,160)	$	(474,794)	$	(1,002,538)
(c) Net Income (loss) Per share (Basic)	$	(0.01)	$	(0.01)	$	(0.01)	$	(0.02)

		2007 Q1		**2006 Q4**		**2006 Q3**		**2006 Q2**
(a) Interest and Other Income	$	252,235	$	51,148	$	-	$	-
(b) Net Income (loss)	$	(2,168,548)	$	(675,264)	$	(181,839)	$	(2,133,817)
(c) Net Income (loss) Per share (Basic)	$	(0.03)	$	(0.01)	$	(0.07)	$	(0.01)

10. Financial Condition

Liquidity and Capital Resources

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

During the year the Company utilized cash on hand to fund operations. The cash balance as at March 31, 2008 was $10,869,877. (March 31, 2007 - $23,355,034)

Liabilities at March 31, 2008 consist of short term trade payables and accrued liabilities of $1,618,030 (March 31, 2007 - $416,743).

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 in the future. Alternative sources of capital are funding from industry partners through joint ventures.

Contractual Obligations

Operations

The Company has contractual obligations for employees at its operations. The Company has entered into several large ongoing contracts for services notably for environmental base line work and drilling. These contracts typically entail break costs for termination but are considered in line with normal industry standards. The Company also has two investor relations contracts that can be cancelled upon 30 days notice. The Company has a rental commitment on a month to month basis for office space in Toronto at approximately $1,800 per month. At the U.S. site operations the Company owns its office and storage facilities.

Property

The Company has contractual obligations with respect to the Back Forty Project located in Menominee County, Michigan. Title of private landholdings in the State of Michigan is divided into surface rights and mineral rights. The Company has acquired options on both surface and mineral rights from private owners in the project area and has leases from the State of Michigan. The options generally provide the Company with a period of time to assess the mineral potential of the acreage with a right to purchase both the surface and mineral rights for a price based on market price at the time of purchase. Other mineral rights are leased from the State.

The current option payment for the MRT Property in 2008 is US$1,333,333. The payments for 2009 and 2010 are US$250,000. The total option payments remaining are US$8.44 million over the next seven years to August 2015.

Estimated total lease, option and purchase costs for mineral interests relating to the Back Forty Project are US$1,883,726 for fiscal 2008.

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

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11. Share Capital

Common Shares

As at March 31, 2008 there were 70,109,478 common shares of the Company outstanding. There was no change in outstanding common share capital in the quarter.

Warrants

There are 8,843,635 warrants and broker warrants outstanding as at March 31, 2008 (December 31, 2007 – 8,843,635). The warrants have an accelerator feature that can be exercised by the Company if the common shares trade at or above $2.65 for more than 20 business days. The warrants expire December 15, 2008.

Options

There are a total of 5,250,000 stock options outstanding at March 31, 2008 with exercise prices ranging from $0.30 to $2.15. During the quarter 700,000 options were issued with an exercise price of $0.90. There is an associated compensation expense attached to the granting of the option of $308,400

12. Off-Balance Sheet Arrangements

As at March 31, 2008, 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 by 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 quarter ended March 31, 2008, management salary amounting to $18,750 (March 31, 2007 - $18,750) were charged by a company controlled by the CFO and director of the Company.

During the quarter the President and CEO charged fees totalling $57,413.

A total of US $456,027 (March 31, 2007 - US$688,081) was charged to the operations at the Back Forty Project by a geological consulting company of which the President and CEO and another director are major shareholders. A management fee calculated on a percentage of wages payable was included in the amount charged by the geological consulting company to the Company.

During the period, the Company was charged legal fees totaling $1,663 (March 31, 2007 - $21,190) by a law firm whose partner is a director of the Company.

Rental expenditures in the amount of $5,588 (March 31, 2007 - $5,596) were charged by a Company with common directors.

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

Director's fees of $21,000 were paid during the quarter.

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 March 31, 2008. The evaluation included documentation review, enquiries and other procedures considered by Management to be appropriate in the circumstances. Further review and evaluation of the system of controls and procedures over the public disclosure of financial and non-financial information of the Company was conducted during 2007.

Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures was effective as of March 31, 2008.

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. New Accounting Standards and Policies

Financial instruments

Effective January 1, 2008, Aquila prospectively adopted the new CICA Handbook Sections 3862, *Financial Instruments – Disclosures* and 3863, *Financial Instruments – Presentation.* The purpose of these sections is to enhance the financial statement users' ability to evaluate:

- The significance of financial instruments over an entity's financial position, performance and cash flows;
- The nature and extent of risks arising from financial instruments to which the entity if exposed during the period and at the balance sheet date; and
- How the entity manages those risks.

The new standards required additional disclosure with no effect on the financial statements.

Capital management

Effective January 1, 2008, Aquila adopted the new CICA Handbook Section 1535, *Capital Disclosures* for disclosure of a company's objectives, policies and processes for managing capital.

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 that delay or stop from environmental and aboriginal groups. These are not an exhaustive list of the risks associated with the business.

Environmental Risks and Hazards

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

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

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

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18. 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 and Director
Nadim Wakeam – Corporate Secretary
Robin Quigley – Assistant Corporate Secretary
Peter M.D. Bradshaw – Chairman of the Board and Director
Alvin W. Jackson – Director
Edward Munden – Director
William J. West – Director
Michael L. Surratt – Director

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

19. Additional Information

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

Signed

"Robin Dunbar"
Chief Financial Officer
May 13, 2008