



AQUILA RESOURCES INC.

ANNUAL INFORMATION FORM

FISCAL YEAR ENDED DECEMBER 31, 2012

DATED MARCH 28, 2013

ANNUAL INFORMATION FORM INDEX

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GENERAL

This is the Annual Information Form (the "AIF") for Aquila Resources Inc. ("Aquila" or the "Company") dated as at March 28, 2013.

Documents incorporated by reference in this AIF include all those audited and interim financial statements, proxy circulars, prospectuses, news releases and other continuous disclosure documents filed by the Company, copies of which are available on request from the offices of the Company or on the SEDAR website (www.sedar.com).

NOTICE REGARDING FORWARD-LOOKING INFORMATION

This AIF contains forward-looking statements and forward-looking information (forward-looking statements) as defined in applicable securities laws that reflect Aquila's current expectations and projections about its future results. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are based on assumptions, estimates, analyses and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors which the Company believes to be relevant and reasonable in the circumstances.

Words such as estimate, intend, believe, expect, anticipate, plan, potential and similar terminology to identify forward-looking statements are used in this AIF, which are, by their very nature, not guarantees of Aquila's future operational or financial performance, and are subject to risks and uncertainties, both known and unknown, as well as other factors that could cause Aquila's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to risks associated with the mining industry including operational risks in exploration, development and production; uncertainties relating to the interpretation of drill results and the geology, continuity, grade and estimates of mineral reserves and resources; production risks and the uncertainty of estimates and projections in relation to development and production revenues and expenses; fluctuations in metal prices and currency exchange rates; operational hazards and risks, including the inability to insure against all risks; compliance with applicable government regulations, including environmental requirements; and the availability of adequate infrastructure; the Company's limited financial resources and its ability to continue as a going concern and to fund its operating and capital expenses necessary to achieve its business objectives; the Company's dependence on key employees; the Company's ability to compete with other mining companies possessing greater financial resources; the Company's ability to obtain requisite permits and licenses; risks arising from challenges to the Company's title to its assets, including those arising in respect of aboriginal rights; and the potential for conflicts of interest to arise. Specifically, this AIF contains forward-looking statements regarding:

- the expected activities at the Back Forty Project and the expected completion date of a feasibility study and permitting application and other project milestones;
- the continued financial support from parties to satisfy the Company's ongoing working capital and other contractual commitments

These forward-looking statements and information are based on current expectations and are naturally subject to uncertainty and changes in circumstances that may cause actual results to differ materially from those expressed or implied by such forward-looking statements and information.

Inherent in forward-looking statements and information are risks and uncertainties beyond the Company's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements and information contained in, or incorporated by reference into, this AIF. Such statements and information are based on a number of assumptions and factors which may prove to be incorrect, including, but not limited to, assumptions about: the availability of financing for the Company's exploration and development projects and other operations on reasonable terms;

- the availability of personnel for the Company's exploration and development projects;
- interest rates and foreign exchange rates;

- the supply and demand for, deliveries of, and the level and volatility of prices of zinc, copper, gold, silver and other commodities;
- the timing of the receipt of regulatory and governmental approvals for the Company's development projects and other operations;
- the ongoing relationship with the Company's joint venture partner;
- market competition;
- risks involved in mining, processing, exploration and research and development activities;
- tax benefits;
- the supply and availability of consumables and services;
- the supply and availability of all forms of energy and fuels at reasonable prices;
- the Company's ongoing relations with its employees;
- inaccurate geological and metallurgical assumptions (with respect to the size, grade and recoverability of mineral reserves and resources);
- unanticipated operational difficulties;
- unanticipated events relating to regulatory, environmental, health and safety matters; and
- changes in general economic conditions or conditions in the financial markets.

The Company's ability to predict the results of its operations or the effects of various events on its operating results is inherently uncertain. Therefore, the reader is cautioned to consider carefully the matters described under the caption "Narrative Description of the Business – Risk Factors". Such factors and many other factors beyond the Company's control could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by the forward-looking statements and information.

The above list is not exhaustive of the factors that may affect the forward-looking statements and information. These and other factors should be considered carefully by prospective investors, who should not place undue reliance on such forward-looking statements and information.

Statements relating to "mineral reserves" or "mineral resources" are deemed to be forward-looking statements and information, as they involve the implied assessment, based on certain estimates and assumptions that the mineral reserves and mineral resources described can be profitably produced in the future. These statements reflect belief of management of the Company ("Management") and are based on information currently available to Management. Although Management believes that these statements and information are based on reasonable assumptions, a number of factors could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements and information.

The forward-looking statements and information contained in this AIF and any documents incorporated by reference herein are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statement and information after the date of this AIF to conform such statements and information to actual results or to changes in the Company's expectations except as otherwise required by applicable legislation.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF INDICATED AND INFERRED RESOURCES

This AIF uses the terms "Measured", "Indicated" and "Inferred" Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Resources may not form the basis of feasibility or other economic studies except at the scoping or preliminary economic assessment level. United States investors are cautioned not to assume that all or any part of Indicated Resources will ever be converted

into mineral reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Resource exists, or is economically or legally mineable.

1 CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

Aquila Resources Inc. (formerly JML Resources Ltd.) (öAquilaö or the öCompanyö) 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. (öJMLö) 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; and
- (c) acquire the issued and outstanding shares of Aquila Resources Corp. and 2079537 Ontario Ltd. as a reverse takeover of JML.

The Company's head and registered office is located at Suite 530, 65 Queen Street West, Toronto, Ontario, M5H 2M5. The Company's U.S. operations are located at 414 10th Avenue, Suite 1, Menominee, MI, 49858.

The Company is a reporting issuer in the Provinces of Ontario, Alberta, Nova Scotia, Saskatchewan and British Columbia. The common shares of the Company are listed on the Toronto Stock Exchange (öTSXö) under the symbol öAQAö, on the Frankfurter Wertpapierbörse (öFWBö) as öJM4Aö and on the American OTC Pink Sheets under the symbol öAQARFö.

1.2 Inter-corporate Relationships

Unless otherwise indicated herein, the terms "we", "us", "our", "the Company", "the Issuer" and "Aquila" refer collectively to Aquila Resources Inc. The Company has four subsidiaries, Aquila Resources Corp., and Aquila Resources USA Inc., and two other U.S. subsidiaries. The subsidiaries are all 100% owned.

2 GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three Year History

The Company is a natural resource company engaged in the acquisition, exploration and development of the Back Forty Project and other mineral resource properties in the United States of America. The following is a summary of the general development of the Company over the last three years:

Background information:

The Company announced a Subscription Option and Joint Venture Agreement with HudBay Minerals Inc. (öHudBayö) on August 6, 2009 (the öHudbay Agreementö).

Key terms of the Agreement with HudBay are as follows:

- HudBay subscribed for 12,141,051 million common shares of Aquila, at the time a 14.9% undiluted ownership interest, at a price of CDN \$0.1827 per share for an investment of CDN \$2.2 million.
- While HudBay maintains at least a 10% ownership interest, HudBay will have the right to nominate a director to Aquila's Board of Directors and will have pre-emptive rights to maintain its ownership interest. HudBay has also agreed to provisions related to the orderly disposition of its interest in Aquila, should HudBay choose to make such a disposition.
- HudBay acquired a 51% ownership interest in the Project, by incurring expenditures of US\$10 million on the Project prior to the third anniversary of the Agreement.

- HudBay may increase its interest in the Project from 51% to 65% by (i) funding and completing a feasibility study; (ii) funding and submitting a permitting application; and (iii) making outstanding specified option payments, if any.
- Once a feasibility study is complete and permitting applications are submitted, if HudBay elects to put the Project into production, and following issuance of a development notice Aquila will have 90 days to arrange financing for its share of project costs. If Aquila is unable or elects not to obtain such financing, HudBay, by assuming the obligation to finance 100% of the development costs, will increase its ownership in the Project by a further 10% to 75%. Aquila's 25% share of the development costs would then be deducted from Aquila's share of distributable cash flow from the Project.
- While HudBay retains the largest ownership interest in the Project, HudBay will be the operator. HudBay will also have exclusive marketing rights to sell production to HudBay or third parties on commercial terms.
- If the feasibility study is not completed and all applications for permitting are not submitted on or before the fourth anniversary of the Agreement, Aquila has the right to re-acquire HudBay's 51% JV interest by reimbursing HudBay 50% of its total expenditures in respect of the Project incurred from the execution of the Agreement. If the Project is not brought into commercial production within four years from the grant of mining permits, Aquila may re-acquire HMI's 65% JV interest by reimbursing HudBay 50% of its total Project expenditures incurred after execution of the Agreement.

All project costs incurred at the Back Forty are covered by the HudBay Agreement with minor exceptions.

Fiscal Year 2010

During 2010 the Company and HudBay under the HudBay Agreement continued exploration and development activities at the Back Forty Project. HudBay completed the option period of the HudBay Agreement and by virtue of having made CDN\$10 million in expenditures it vested a 51% interest in the Back Forty Project.

During the year key project activities included:

- additional drilling to further define near surface mineralization
- metallurgical test work
- community and social outreach programs
- environmental monitoring and ongoing analysis
- trade off studies analyzing various forms of mine development
- an updated resource calculation

The Company reported a National Instrument 43-101 Resource Estimate for the Back Forty Project in October 15 (see "Principal Properties and Assets")

The Company under the HudBay Agreement made an option payment of US\$250,000 on the MRT Property in August 2010. The Company purchased other property interests during the year. The Company made mineral property acquisition expenditures for Michigan Gold of CDN\$32,454 and for other properties of CDN\$66,163. Exploration expenditures were CDN\$292,450 on Michigan Gold Properties and CDN\$223,205 for other properties.

Exploration Alliance

On October 15, 2010 the Company and HudBay announced the formation of a strategic exploration alliance (the "Exploration Alliance") to explore for base metals in Michigan and other areas mutually agreed upon. As part of the Exploration Alliance, HudBay agreed to make a CDN\$2 million equity private placement in Aquila, make a CDN\$250,000 cash payment to Aquila to provide funding for qualifying exploration targets. It was agreed that each target qualifying as an alliance target would be funded by HudBay until US\$2 million had been expended at which time a 50/50 joint venture would be formed. HudBay would have the right to earn an additional 15% interest in alliance joint ventures by funding the projects through feasibility and permit application.

The Exploration Alliance acquired a number of properties prospective for base metals. The Company has announced the acquisition of the Sturgeon Falls project in the Upper Peninsula of Michigan where the target is copper-nickel-platinum group metals mineralization and the Turner Peridotite Project located about 70 kilometers north of the Back Forty Project. The target is also copper-nickel-platinum group metals. The Company completed a VTEM survey over both properties funded by the Exploration Alliance. The Company has several other properties in advanced stages of acquisition which are targeted for the Alliance.

Michigan Gold

In November 1, 2010 the Company announced that it had acquired under option from Minerals Processing Corporation (a related party) a package of gold properties located in the Marquette Greenstone Belt of Michigan. The acquisition was part of the Company strategy to diversify its asset base and expand its asset portfolio of exploration interests.

Fiscal Year 2011

Back Forty Project

During 2011 the Company and HudBay under the HudBay Agreement continued exploration and development activities on the Back Forty Project with HudBay as operator of the project. Expenditures were focused on activities contributing to the completion of a preliminary economic assessment ("PEA") for the project and for preparation for permitting submissions. The completion of a National Instrument 43-101 PEA was delayed until 2012 with work ongoing.

Expenditures of USD\$3,733,938 were made on acquisition costs for Back Forty which includes lease option and purchase of lands and mineral rights. Exploration expenditures of USD\$1,610,664 were incurred on Back Forty Properties. Substantially all of Aquila expenditures are reimbursed by HudBay under the terms of the HudBay Agreement.

On March 9, 2012 the Company entered into an operating agreement with HudBay as contemplated in the HudBay Agreement under which it transferred its interest in the Back Forty Project to a limited liability company.

Reef Gold Property

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 1970s and 1980s. Aquila acquired 336 acres of mineral rights and 276 acres of privately held surface rights at Reef covering the extent of previous drilling and potential extensions. The first year land payment is \$42,362 with future payments at the option of Aquila based on approximately \$50 per acre. Aquila has completed a VTEM survey over the Reef Property. Company continues to evaluate possible additions to the gold portfolio and has begun land assembly in certain areas.

Drilling at the Reef Project commenced during 2011 with the completion of a total of 22 drill holes along two profiles in an effort to extend the known mineralized zones at Reef. The program focused on identifying the continuation of near surface gold mineralization along strike and at depth.

Initial highlighted assay results from the Reef Gold Project include:

- 3.0 meters of 8.12 g/t gold in GBP-3
- 12.47 meters of 1.07 g/t gold in R11-6
- 10.50 meters of 1.70 g/t gold in R11-9
- 14.76 meters of 14.41 g/t gold and .30% copper in R11-11 Including 9.26 meters of 21.28 g/t gold and .33% copper

The Company made mineral property acquisition expenditures as well as incurred lease, option and property acquisition costs of USD\$53,186, as well as Exploration expenditures of USD\$947,719 on its Reef Property.

Exploration Alliance

Under the Exploration Alliance Agreement with HudBay the Company was advanced US\$250,000 during 2010 and was obligated to identify and present five qualifying base metal exploration targets to HudBay. Under the agreement HudBay is required to fund the first USD\$2,000,000 of exploration expenditures on each target, and the Company is required to act as the operator.

During 2011 HudBay advanced an additional \$250,000 to the Company to fund the identification of five additional targets that will be governed by the Exploration Alliance Agreement. A number of targets are currently under review and will be presented to HudBay during 2012 as they are acquired.

The Company made mineral property acquisition expenditures as well as incurred lease, option and property acquisition costs of USD\$74,004, as well as Exploration expenditures of USD\$899,033 on Exploration Alliance Properties. Substantially all of those costs were reimbursed by HudBay.

At the end of 2011 the Company had announced that there were three properties undergoing exploration under the Exploration Alliance. These are the Turner Peridotite Property (Ni-Cu-PGE) and Sturgeon Falls Property (Ni-Cu-PGE) which are located in the Upper Peninsula of Michigan. The Company announced the acquisition of the Bend Copper Gold Project located in Marathon County in December.

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 and HudBay's Back Forty joint venture project. The Bend deposit contains a historical resource estimate (non NI 43-101 compliant) of 3 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 1.23 million tonnes of 4.7 g/t gold and .31% copper was delineated in historic technical reports (non NI 43-101 compliant) and remains open in all directions. The Company believes the historical results to be relevant.

Michigan Gold

A twenty hole drilling program was completed on the Company's Peninsula Gold target during 2011. The Company continued to consolidate land and access agreements during 2011. The objective was to generate a diversified high potential portfolio of gold projects and develop substantial resources in the near term.

Fiscal year 2012

Back Forty Project

The Company's 49% interest in the Back Forty Joint Venture was transferred to a limited liability company called Back Forty Joint Venture LLC (öBFJVö) on March 9, 2012. Under the terms of an operating agreement the Company is committed to the exploration and development of the Back Forty Project under a structure that mirrors the original HudBay Agreement.

Back Forty Project Preliminary Economic Assessment:

Highlights of the National Instrument 43-101 compliant "Preliminary Economic Assessment (the "PEA") of the Back Forty Gold Zinc Project located in the Upper Peninsula of Michigan, USA" were made public on April 26, 2012. The potential economic viability of the Back Forty deposit was evaluated using measured, indicated and inferred mineral resources and a discounted pre-tax cash flow analysis. The mine plan evaluated in the PEA assessed the mining of only parts of the near surface portion of the resource by open pit methods. Potential underground mining of deeper resources was not addressed in the PEA. Further details of the PEA are discussed herein under Section 3.2.

An updated up-dated National Instrument 43-101 resource estimate for the Back Forty Project was made public on February 4, 2013. The updated mineral resource estimate includes data from 78 drill holes that are additional to those used for the PEA. Details of the updated resource estimate are discussed herein under Section 3.2.

Michigan Gold:

In 2012 the Company decided not to exercise its option with MPC as the prospects for the Michigan Gold properties did not warrant further exploration; as a result \$1,686,139 was written off at that time.

Reef Gold Project:

Encouraging drill results on the 100% owned Reef Gold Project were announced on May 8, 2012 and July 9, 2012 and can be viewed at www.sedar.com

Bend Property:

Drill results at the Bend property, formerly an Exploration Alliance property, were announced on June 11, 2012 and August 2, 2012 and can be viewed at www.sedar.com.

HudBay suspension of its development activities on the Back Forty Project:

On July 3, 2012 the Company announced it had been informed by Hudbay Minerals Inc. ("HudBay") that it had decided to suspend its development activities at the Back Forty Project. The Company is evaluating a range of options and opportunities available to it to continue advancing the project and strengthening its position in the Great Lakes region. The Company is working with HudBay to consider strategic alternatives that are in the best interests of the Company's shareholders, other stakeholders, and the Back Forty Project.

Termination of the Exploration Alliance between HudBay and the Company:

During the year the Exploration Alliance between HudBay and the Company was terminated by HudBay. As a result of the termination the Company's interest in the four former Exploration Alliance properties currently under evaluation increased to 100% from 49%, subject to a HudBay back in right on the Bend deposit.

Outlook for 2013

As a result of HudBay's decision to suspend development activities on the Back Forty Project, the Company has a number of opportunities available to it to continue advancing the project. Strategic alternatives are being explored with HudBay.

Termination of the Exploration Alliance by HudBay has resulted in the four former Exploration Alliance properties reverting to 100% ownership by Aquila, subject to a back-in right on the Bend deposit in favour of Hudbay. Now that Aquila controls those properties outright, opportunities to continue advancing them are being considered.

2.2 Significant Acquisitions and Significant Dispositions

The Company had no significant acquisitions or dispositions during the most recently completed fiscal year for which disclosure is required under Part 8 of National Instrument 51-102. The agreement to acquire the MRT Property completed in August 2006 requires annual cash payments totalling US 5,760,000 payable in equal instalments from August 2012 to August 2015. The MRT hosts a significant part of the Back Forty resource. While the HudBay Agreement is in effect, HudBay is required to make the MRT Property payments to earn a 65% interest in the Back Forty Project.

3 NARRATIVE DESCRIPTION OF THE BUSINESS

3.1 General

The Company is engaged in the acquisition, exploration and development of the Back Forty Project and other mineral properties. The Company's 49% interest in the Back Forty Project is located in Menominee County, Michigan, U.S.A. The Back Forty Project is a volcanogenic massive sulfide (VMS) deposit consisting of zinc, copper, gold and silver. It is being explored and developed under an operating agreement with HudBay Minerals Inc. Currently the Company has a 49% interest in the Back Forty Project. Under the terms of the HudBay Agreement when HudBay has completed a feasibility study and applications for permitting for the project it will increase its project interest to 65%.

The Company has acquired additional base metal properties under the Exploration Alliance Agreement with HudBay and also acquired gold properties for its own account.

During 2012 HudBay advised that it had decided to suspend its development activities at the Back Forty Project. The Company is working with HudBay to consider strategic alternatives that are in the best interests of the Company's shareholders, other stakeholders, and the Back Forty Project.

Also during 2012 the Exploration Alliance between HudBay and the Company was terminated by HudBay. As a result of the termination the Company's interest in the four former Exploration Alliance properties currently under evaluation increased to 100% from 49%, subject to a HudBay back in right on the Bend deposit.

In order to explore and develop its property interests the Company may raise funds by sale of common shares, and may joint venture certain assets with partners possessing financial resources and/or exploration or development expertise.

No director, officer, insider or promoter of the Company has any interest in the mineral properties located contiguously to the property interests of the Company.

3.2 Principal Property and Assets – Back Forty Project

The Company's principal property and asset is the Back Forty Project. The value of the property can best be understood from an April 26, 2012 Preliminary Economic Assessment, and a subsequent February 2, 2013 updated National Instrument 43-101 resource estimate; highlights of both follow.

Back Forty Project ó April 26, 2012 Preliminary Economic Assessment

On April 26, 2012 a Preliminary Economic Assessment (PEA) of the Back Forty Project was made public. The following are key excerpts from the Preliminary Economic Assessment Technical Report on the Back Forty Deposit, Menominee County, Michigan, USA dated April 26, 2012, prepared for Aquila Resources Inc. by: Brian Connolly, P.Eng., Principal Mining Engineer, SRK Consulting (Canada) Inc., Douglas K. Maxwell, P.Eng. Lead Process Engineer Lyntek Inc., Gregory Greenough, H. BSc., P.Geo. Senior Resource Geologist, Golder Associates Ltd., Stephen Donohue, P.H., Dir of the Mining Sector Services, Foth Infrastructure & Environment, LLC., Robert Carter, P.Eng., Manager, Project Evaluation, Hudbay Minerals Inc.

The potential economic viability of the Back Forty deposit was evaluated using measured, indicated and inferred mineral resources and a discounted pre-tax cash flow analysis approach. In summary, based on the assumptions used for this PEA the results indicate that:

- Proposed life of mine of approximately 7 years at a full production rate of 3,000tpd and a payback of capital after 3 years of mining
- Average unit operating costs of \$36.79/tonne mined and processed over the life of the project
- Total LOM capital of \$272.3M, includes \$224.7M for initial project capital required to build the mine, site infrastructure, sulfide flotation and oxide leach plant and purchase of new mining equipment to achieve commercial production
- The project has a pre-tax cash flow of \$211.8M, with a NPV_{8%} of \$73.6M and an 18.2% IRR
- Over the LOM Back Forty is expected to produce 77,200 tonnes of copper concentrate, 323,500 tonnes of zinc concentrate and 295,300 ounces of gold and 2,561,700 ounces of silver contained in gold-silver alloy dore product and within the copper concentrate
- Net payable gross revenue of \$786.8M is from copper and zinc concentrates and gold-silver alloy dore

The portion of the measured mineral resources, indicated mineral resources and inferred mineral resources used for evaluation purposes in the PEA is shown in Table 1.1, after applying allowances for dilution and mining losses based on an assumed mining production schedule and pre-tax cash flow analysis.

Category	Metallurgical Type	Tonnes (000s)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
Measured	Flotation	5,237	1.90	15.1	0.25	0.12	3.41
Measured	Oxide	965	2.85	31.0	0.10	0.12	0.35
Indicated	Flotation	506	1.71	42.7	1.34	0.07	0.64
Indicated	Oxide	149	3.72	44.4	0.34	0.06	0.13
Inferred	Flotation	588	1.31	37.5	1.18	0.05	0.60
Inferred	Oxide	91	3.86	45.0	0.64	0.03	0.09

The mine plan assesses the potential economic viability of mining only the nearer surface mineralization by open pit methods. Potential underground mining of deeper mineralization is not evaluated.

Sensitivities of the base case commodity price assumptions are shown in Table 1.2. A 15% decline in metal prices reduces the pre-tax IRR to 8.4%, whereas a 15% increase in metal prices improves the pre-tax IRR to 26.2%.

	-15% Change to Base Case	PEA Base Case ¹	+15% Change to Base Case
Gold (US\$/oz)	\$1,124	\$1,322	\$1,520
Silver (US\$/oz)	\$21.29	\$25.05	\$28.81
Copper (US\$/lb)	\$2.92	\$3.44	\$3.96
Zinc (US\$/lb)	\$0.80	\$0.94	\$1.08
Pre-tax			
Cash Flow	\$85,779,000	\$211,774,000	\$335,958,000
NPV _{8%}	\$2,858,000	\$73,574,000	\$142,958,000
IRR	8.4%	18.2%	26.2%

¹ Bloomberg three year historic average (April 1, 2009 to March 31, 2012).

The full technical report can be seen at www.sedar.com under the filings of Aquila Resources Inc.

Back Forty Project 6 February 2, 2013 Updated National Instrument 43-101 resource estimate:

The updated mineral resource estimate for the Back Forty Project is as follows:

AQUILA RESOURCES INC. BACK FORTY RESOURCE ESTIMATE
February 2, 2013 Thomas O. Quigley Qualified Person

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. 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 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 PEA contemplated mining 7,536,000 tonnes of mineral resources from an open pit. The updated open pit mineral resource consists 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 quantifies mineralization outside of the open pit shell utilizing an underground NSR cut off averaging US\$66.45 per tonne.

3.3 Environmental Compliance

The Company is subject to federal, state and local environmental legislation at its operation. The Company recognizes that it must conduct its business in such a manner as to protect and preserve the environment.

Management is not aware of any pending environmental legislation which would be likely to have a material impact on any of its operations. The company believes that it is compliant in all material respects with all applicable environmental laws.

3.4 Risk Factors

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 for some time. The Company has limited financial resources and the mining claims, leases and licences 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.

HudBay Agreement

The HudBay Agreement does not obligate HudBay to continue funding the project if it elects to terminate the Agreement prior to completing the option. In the event that the HudBay Agreement is terminated the Company will be required to find alternate sources of financing for the project.

4 DIVIDENDS

The Company has not paid any dividends since its incorporation and does not anticipate the payment of dividends in the foreseeable future. At present, the Company's policy is to retain earnings, if any, to finance exploration on its properties. The payment of dividends in the future will depend upon, among other factors, the Company's earnings, capital requirements and operating conditions.

5 DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of common shares of which 90,945,168 were outstanding as at December 31, 2012. At the time of filing of this AIF 90,945,168 common shares were outstanding.

Details of shares issued during 2012 are as follows:

- (i) On February 29, 2012 6,000 options to acquire 6,000 common shares of the Company were exercised for proceeds of \$893.
- (ii) On March 27, 2012 200,000 shares were issued to MPC, a related party, to fulfill certain commitments under an option agreement to acquire a 100% interest in the Michigan Gold property. The shares were valued at \$96,106 which was the closing price of the Company's shares on the transaction date.

Common Shares

The holders of the common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each common share held at all meetings of the shareholders of the Company. The holders of common shares are entitled to (a) receive any dividends as and when declared by the board of directors, out of the assets of the Company properly applicable to the payment of dividends, in such amount

and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Company (after payment of all outstanding debts) in the event of any liquidation, dissolution or winding-up of the Company. The holders of the common shares have no pre-emptive, redemption or conversion rights.

5.1 Options and Warrants

There were 3,722,250 stock options outstanding at December 31, 2012 issued to directors, officers, consultants, and employees of the Company exercisable at prices ranging between \$0.15 and \$0.90 per share. There were no options granted by the Company during the fiscal year ending December 31, 2012. As of the date of this filing 3,722,250 stock options were outstanding at exercise prices ranging from \$0.15 to \$0.90.

The Company has 515,140 broker warrants outstanding as at December 31, 2012 outstanding having a weighted average exercise price of CDN \$0.51, and expiry dates between June 2013 and October 2014.

5.2 Escrowed Securities

There are no common shares of the Company held in escrow. To the knowledge of the Company, no securities of the Company are subject to pooling restrictions or were subject to a contractual restriction on transfer.

6 MARKET FOR SECURITIES

The common shares of the Company are listed for trading on the Toronto Stock Exchange under the symbol "AQA", on the Frankfurter Wertpapierbörse under the symbol "JM4Aö", and on the American OTC Pink Sheets under the symbol "AQARFö".

Following is a monthly summary of prior sales of Aquila shares:

Month	High	Low	Volume
2012	\$	\$	
January	.530	.470	657,974
February	.550	.475	954,574
March	.495	.430	1,052,568
April	.495	.395	652,829
May	.415	.240	857,045
June	.330	.240	823,847
July	.225	.175	1,890,306
August	.265	.180	568,410
September	.270	.190	478,896
October	.220	.160	589,170
November	.215	.155	519,446
December	.195	.135	1,222,425

7 ESCROWED SECURITIES/SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS

There are no escrowed securities/securities subject to contractual restrictions at December 31, 2012.

8 DIRECTORS AND OFFICERS

8.1 Name, Occupation and Security Holding

The following table sets out the name, municipality of residence, present position(s) held with the Company, principle occupations during the last five years (unless otherwise indicated) and security holdings of each director and officer of the Company:

Name and Municipality of Residence	Position(s) Held with the Company	Date of Appointment	Principal Occupations During the Past Five Years	Security Holdings ⁽³⁾
Barry Hildred Toronto, Ontario	CEO	March 18, 2013	Principal at Level 2 Advisors, Chairman of Aldridge Minerals, prior to 2009 President of TMX Equicom	1,000,000 options
Thomas O. Quigley Stephenson, Michigan, U.S.A.	President, and Director	April 17, 2006	Geologist, currently President of Aquila Resources Corp. and Minerals Processing Corp.	483,048 common shares* 1,000,000 options
Robin E. Dunbar ⁽¹⁾ Toronto, Ontario	CFO, and Director	February 12, 1997	President of Mustang Minerals Corp., CFO of Aquila Resources Corp..	415,476 common shares* 575,000 options
Edward Munden ⁽¹⁾⁽²⁾ Nepean, Ontario	Director	2001	Director, Capital House Corporation, a private investment company	266,612 common shares* 500,000 options
Peter M. D. Bradshaw ⁽¹⁾⁽²⁾ Vancouver, British Columbia	Chairman and Director	April 17, 2006	Chairman, First Point Minerals Corp.	250,000 common shares 550,000 options
William West ⁽¹⁾⁽²⁾ Warren, Ohio, U.S.A.	Director	April 17, 2006	President, West Materials Inc.	4,327,768 common shares* 500,000 options
Nadim Wakeam Toronto, Ontario	Corporate Secretary	October 15, 2001	Partner, Blaney McMurtry LLP, a law firm; prior to April 2005, Partner, McLean & Kerr LLP, a law firm	81,157 common shares* 65,000 options
Robin Quigley Stephenson, Michigan, U.S.A.	Assistant Corporate Secretary	April 17, 2006	Assistant Corporate Secretary, Aquila Resources Corp.	14,000 common shares 230,000 options

(1) Member of the Audit Committee.

(2) Member of the Compensation and Nomination Committee. All directors' current terms of office continue until the next annual meeting of shareholders at which time the board of directors will be elected. Officers are normally appointed by the board of directors by written resolution or at a meeting held immediately after the annual shareholder meeting. The last Annual General Meeting was held on July 18, 2012. All directors and officers will continue to serve in their respective capacities until they resign or are replaced.

(3) Securities marked with an * may be held directly, indirectly, or a combination thereof

As of the date hereof, the directors and officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 5,793,061 common shares, representing 6.4% of the outstanding

common shares of the Company. The information as to securities beneficially owned or over which control or direction is exercised, is not within the Company's knowledge and has been furnished by the directors and officers of the Company individually.

8.2 Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

As of the date hereof, no director or officer of the Company is, or has been within the past ten years, a director or executive officer of any company that, while such person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or officer of the Corporation has within the past ten years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

8.3 Conflicts of Interest

Some of the directors and officers of the Issuer are or may be on the Board of Directors or act as directors and officers of other resource companies from time to time. To avoid the possibility of conflicts of interest which may arise out of their fiduciary responsibilities to each of the Boards, all directors have agreed that participation in resource prospects offered to them will be allocated between the various companies on the basis of prudent business.

Other than as discussed above or disclosed elsewhere in this AIF, management of the Company is not aware of any material interest, direct or indirect, of any director or senior officer of the Company, any person or company beneficially owning, directly or indirectly, more than 10% of the common shares of the Company or any associate or affiliate of the Company in any transaction within the last three years or in any proposed transaction which in either case has materially affected or will materially affect the Company.

9 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Corporation, there are no material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, of any informed persons of the Corporation, directors, proposed directors or officers of the Corporation, any shareholder who beneficially owns more than ten percent (10%) of the common shares of the Corporation, or any associate or affiliate of these persons in any transaction since the commencement of the Corporation's last completed fiscal year or in any proposed transaction, which has materially affected or would materially affect the Corporation other than as disclosed herein or in the financial statements of the Corporation for the fiscal year ended December 31, 2012. Reference should be made to the notes to the audited financial statements for a more detailed description of any material transaction.

10 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not currently a party to any legal proceedings.

11 TRANSFER AGENT AND REGISTRAR

The Company's transfer agent is Trans Canada Transfer, of 25 Adelaide St. E., Suite 1301, Toronto, Ontario. Trans Canada Transfer transfers all common shares of the Company. Warrant transfer requests are currently processed directly by the Company.

12 MATERIAL CONTRACTS

The Company's current material contracts are as described elsewhere in this AIF.

13 INTERESTS OF EXPERTS

The experts who have provided reports filed under National Instrument 51-102 (Continuous Disclosure Obligations) referenced in this AIF are:

Brian Connolly, P.Eng., Principal Mining Engineer, SRK Consulting (Canada) Inc.,
Douglas K. Maxwell, P.Eng. Lead Process Engineer Lyntek Inc.,
Gregory Greenough, H. BSc., P.Geo. Senior Resource Geologist, Golder Associates Ltd.,
Stephen Donohue, P.H., Director of the Mining Sector Services, Foth Infrastructure & Environment, LLC.,
Robert Carter, P.Eng., Manager, Project Evaluation, Hudbay Minerals Inc.

The experts referred to herein do not have any direct or indirect interests in the Company.

14 AUDIT COMMITTEE INFORMATION

For the year ended December 31, 2012 audit and tax preparation fees were accrued in the amount of \$25,000 to Collins Barrow. No other fees as of the date of writing have been paid or accrued to the auditor of the Company.

The Company's Audit Committee Charter is available as a part of the Management Information Circular dated June 15, 2012. The members of the Audit Committee are Messrs. William West, Edward Munden, and Peter M.D. Bradshaw. Messrs. Munden and Bradshaw are independent and all are financially literate.

15 ADDITIONAL INFORMATION

The following documents may be obtained upon request made to the Company or by visiting the SEDAR public documents site at www.sedar.com:

- (i) this Annual Information Form and the pertinent pages of any document incorporated by reference in this document;
- (ii) the National Instrument 43-101 report on the Back Forty Project dated April 26, 2012 ;
- (iii) the audited financial statements of the Company for its most recently completed financial year ended December 31, 2012 and the interim financial statements of the Company for quarters ended in 2012, that have been filed with the securities regulatory authorities; and
- (iv) the Management Information Circular dated June 15, 2012, which contains additional information including director and officer remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans.

The Company may require the payment of a reasonable charge if it receives a request for one of the documents referred to in clause (i), (ii) and (iii) from a person or company who is not a security holder of the Company. Additional information, including details as to remuneration of directors and executive officers, principal holders of the Company's shares, stock option plan and interests of insiders in material transactions, where applicable, and

certain other matters are contained in the Management Information Circular. Additional financial information is provided in the Company's comparative financial statements for its fiscal year ended December 31, 2012. A copy of the above-noted financial statements may be obtained upon request from the head office of Aquila Resources Inc. located at Suite 530, 65 Queen Street West, Toronto, Ontario M5H 2M5, Telephone: 416-203-1404, Fax: 416-955-4771, Email: rdunbar@aquilaresourcesinc.com , Website: www.aquilaresources.com