AQUILA RESOURCES

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

Table of Contents

AQUILA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

FORWARD-LOOKING STATEMENT

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

GENERAL

The following management discussion and analysis ("**MD&A**") of financial results is dated March 1, 2018 and reviews the business of Aquila Resources Inc. (the "**Company**" or "**Aquila**") for the year ended December 31, 2017, and should be read in conjunction with the audited annual consolidated financial statements and related notes for the year ended December 31, 2017. This MD&A and the accompanying consolidated financial statements and related notes for the year ended December 31, 2017 have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

The content of this MD&A has been read and approved by Andrew Boushy, Senior Vice President, Projects. Mr. Boushy is a Qualified Person as defined by National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("**NI 43-101**").

This MD&A contains references to both United States dollars and Canadian dollars. All dollar amounts referenced, unless otherwise indicated, are expressed in United States dollars, and Canadian dollars are referred to as **"C$"**.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category. The inclusion of inferred mineral resources are considered too speculative geologically to have the economic considerations applied to enable them to be categorized as mineral reserves. The mineral resources in this M&DA were reported using Canadian Institute of Mining, Metallurgy and Petroleum ("**CIM**") Standards.

The technical report, titled "Preliminary Economic Assessment of the Back Forty Project, Michigan, USA" prepared by Tetra Tech, Inc. ("**Tetra Tech**"), dated July 23, 2014 and filed on SEDAR on September 8, 2014 (the "**2014 PEA**") should not be considered to be a prefeasibility or feasibility study, as the economics and technical viability of the Back Forty Project have not been demonstrated at this time. The 2014 PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Furthermore, there is no certainty that the conclusions or results as reported in the 2014 PEA will be realized. The 2014 PEA includes the 2013 Mineral Resource Estimate (as defined herein) which was replaced by the 2018 Mineral Resource Estimate (as defined herein). As such, the economic analyses outlined in the 2014 PEA are not supported by the current mineral resource estimate and therefore should not be relied on until they have been verified and supported by a new technical report. For full technical details, including the basis for the preliminary economic assessment therein and any qualifications and assumptions made in connection therewith, reference should be made to the complete text of the 2014 PEA. The 2014 PEA may be obtained online on the SEDAR website at www.sedar.com.

Additional information regarding the Company, including the risks related to our business and those that are reasonably likely to affect our financial statements in the future, is contained in our continuous disclosure materials, including our most recent Annual Information Form ("**AIF**"), audited consolidated financial statements and Management Information Circular available on SEDAR at www.sedar.com.

FOURTH QUARTER HIGHLIGHTS

- In December 2017, the Michigan Department of Environmental Quality ("**MDEQ**") deemed Aquila's wetland/stream/floodplain permit application for the Back Forty Project administratively complete and the regulatory technical review process can now move to the next stage. The final required permit to operate and build the Back Forty Project is a Wetlands Protection Act permit (the "**Wetlands Permit**") covered under the Natural Resource Environmental Protection Act (**"NREPA"**) 1994 PA 451, as amended.
- The Company closed a financing transaction with Osisko Bermuda Limited (**"OBL"**), a wholly owned subsidiary of Osisko Gold Royalties Ltd (TSX & NYSE: OR,) (**"Osisko"**) pursuant to which OBL has agreed to commit $65 million to Aquila through a $10 million private placement and $55 million gold stream purchase agreement. OBL purchased 49,173,076 units of Aquila at a price of C$ 26 cents per unit for aggregate gross proceeds of $10 million (the **"Strategic Investment"**). Each unit consists of one common share and one-quarter of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company for C$ 34 cents until May 10, 2021. Concurrent with the Strategic Investment, the parties have entered into a Gold Purchase Agreement (the **"Stream"**) whereby OBL will purchase 18.5% of the refined gold from the Project (the **"Threshold Stream Percentage"**) until the Company has delivered 105,000 ounces of gold (the **"Production Threshold"**). Upon satisfaction of the Production Threshold, the Threshold Stream Percentage will be reduced to 9.25% of the refined gold (the **"Tail Stream"**). In exchange for the refined gold delivered under the Stream, OBL will pay the Company ongoing payments equal to 30% of the spot price of gold on the day of delivery, subject to a maximum payment of $600 per ounce. In consideration for the Stream, OBL will make four upfront deposit payments to Aquila totaling $55 million, including $7.5 million which was received on close.
- The Company released the final results from the Company's 2017 exploration drill program at the Back Forty Project. The drilling program was designed to test the along-strike extension of the 2016

Zone massive sulphide. The results included 1.27 g/t gold, 15.78 g/t silver, 12.17% zinc, over 7.09 meters (drilled thickness) in LK-17-537.

- The Company also completed its estimates of capital costs and operating expenditures for the Feasibility Study for the Back Forty Project. Key progress included frozen layout, optimized flow sheet and overall reduction to environmental footprint including water, wetlands and air impacts.
- In December of 2017, the State of Wisconsin passed AB 499, the Mining for America Act which, amongst other things, repealed a decades old moratorium on non-ferrous mining in the state. Aquila is currently evaluating its strategy in Wisconsin where it has two earlier stage exploration assets.
- As at December 31, 2017, Aquila had cash of $17.2 million and working capital of $15.5 million. This compared to cash of $1.4 million and working capital of $0.6 million at December 31, 2016. The working capital increase was due to the Strategic Investment and the first advance under the Stream in November 2017, the private placement in February 2017 and warrant exercises during Q3 2017 offset by the funding of the Company's permitting activities and development of the Feasibility Study.

POST QUARTER HIGHLIGHTS

- In February 2018, the Company announced an updated Mineral Resource Estimate for the Back Forty Project (the "**2018 Mineral Resource Estimate**"). Highlights of the 2018 Mineral Resource Estimate include a 10% increase in tonnage in the Measured and Indicated Mineral Resource categories versus the 2013 Mineral Resource Estimate, a 12% increase in contained zinc and a 4% increase in contained gold. Contained silver, copper and lead also increased versus the 2013 Mineral Resource Estimate.
- The Menominee Indian Tribe of Wisconsin recently filed a federal lawsuit in the Eastern District of Wisconsin against the Environmental Protection Agency and the US Army Corps of Engineers, claiming that the federal government should exercise jurisdiction over the wetlands permitting process currently being administered by the State of Michigan and require Aquila to obtain a federal wetlands permit. Both federal agencies rejected this argument when it was presented to them last year, and Aquila anticipates that their position that the State of Michigan is properly exercising its delegated authority to issue a Wetlands Permit will be vindicated by the federal court.
- Appointed Michael Welch as Chief Operating Officer ("COO") effective March 1, 2018.
- As COO, Mr. Welch will assume responsibility for the Company's activities at its Back Forty Project in Michigan where he will lead operational readiness and help drive the seamless integration from project to operations. He will also oversee stakeholder engagement, compliance, sustainability, and the Company's regional strategy. Mr. Welch has more than 25 years of experience in the mining and mineral exploration industry covering grassroots exploration, mine geology/exploration, project management and executive operations management. Prior to joining Aquila, Mr. Welch was the Managing Director and President of the Board of Directors for Lundin Mining Corporation's ("**Lundin**") Somincor Operations, which include the Neves-Corvo copper and zinc mine in Portugal. Prior to that, he was responsible for the construction completion and start-up of operations for Lundin's Eagle Mine in Northern Michigan, U.S.A. Before joining Lundin, Michael was the Vice President of Operations for Xstrata Nickel's Raglan Operation in Quebec, Canada.

FEASIBILITY STUDY STATUS UPDATE

- Optimized operating and sustaining cost estimates.
- Completed an optimized process plant design and site layout to accommodate an improved Wetlands Permit and optimal environmental footprint including project constructability.
- Continued with refinement of project execution plan and construction schedule.
- Continued with financial evaluation and final report compilation.
- Final Feasibility Study results expected to be announced in the first half of 2018.
- Commenced Pre-Feasibility packages to assess underground expansion scenarios including mine design, water and waste management and associated infrastructure.

OUTLOOK

- The Company continues to work with the MDEQ on its Wetlands Permit submission and is providing additional technical clarification as the application is currently under technical review. On January 23, 2018, the MDEQ held a public hearing for the Wetlands Permit and the public comment period concluded on February 2, 2018. The Company will continue to work with the MDEQ to address any further questions with respect to the permit and is still anticipating a permit decision in the first half of 2018.
- In 2018, the Company will continue discussions with prospective financial partners to secure required project capital to build the Back Forty Project. The Company, with the assistance from its advisors, will consider all available strategic and financial options to the Company and the Project. In parallel, the Company is in discussions with several parties under confidentiality agreements.
- In addition to recently filled positions, the Company will continue to add to its leadership team to prepare for the construction and operational phases of the Back Forty Project.
- An underground mine expansion design and business case is continuing to be evaluated and further drilling and geotechnical investigations will support a pre-feasibility study expected to be published in a future period.
- The Company is currently developing an exploration plan to further define the upside potential of the Back Forty Project, which will be announced in due course. In addition, the Company is evaluating its strategy with respect to its earlier stage exploration projects in Wisconsin in light of the recent repeal of the decades-old moratorium on non-ferrous mining in the state.

COMPANY OVERVIEW AND GOING CONCERN

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

The principal asset of the Company is its 100% interest in the Back Forty Project located in Menominee County, Michigan. On September 8, 2014, the Company filed the 2014 PEA for the Back Forty Project. The 2014 PEA includes the NI 43-101 Standards of Disclosure for Mineral Projects compliant resource estimate for the Back Forty Project that was completed on February 18, 2013 ("**the 2013 Mineral Resource Estimate**"). As the 2013 Mineral Resource Estimate was replaced by the 2018 Mineral Resource Estimate, the economic analyses outlined in the 2014 PEA are not supported by the current mineral resource estimate and therefore should not be relied on until they have been verified and supported by a new technical report.

The 2014 PEA, which incorporates a revised mine plan based on results from the 2013 Mineral Resource Estimate, was completed after considering various trade-off studies which looked at different mine and concentrator configurations to determine the optimal scenario for the Project. The base case scenario indicates a pre-tax net present value (“**NPV**”) of $282.2 million, using a discount rate of 6%, with an internal rate of return (“**IRR**”) of 38.8%, and post-tax NPV of $210.8 million, using the same discount rate, with an IRR of 32.0%.

The 2014 PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Furthermore, there is no certainty that the conclusions or results as reported in the 2014 PEA will be realized.

The Company has three other exploration projects: Reef Gold Project located in Marathon County Wisconsin, Aquila Nickel located in the Upper Peninsula, Michigan and the Bend Project located in Taylor County, Wisconsin. Reef is a gold-copper property and Bend is a volcanogenic massive sulfide occurrence containing copper and gold.

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

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

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. Changes in future conditions could require a material write-down of carrying values and meet its obligations as they fall due.

OVERVIEW OF ACTIVE PROJECTS

Back Forty Project

The Back Forty Project is a development stage volcanogenic massive sulfide (VMS) deposit containing zinc, gold, copper, lead, and silver, located in the Upper Peninsula of Michigan, USA and is the primary mineral property interest of the Company. The Back Forty Project is a high-grade, polymetallic project, which contains approximately 1.1 billion pounds of zinc and 1 million ounces of gold in the M&I categories, with additional upside potential. The Back Forty Project is directly owned by the Back Forty Joint Venture LLC (“**BFJV**”) which controls approximately 4,095 gross acres of surface and mineral rights which are owned or held under lease or option by BFJV. Some lands are subject to net smelter royalties varying from 1% to 3.5%, with certain lands subject to a 2% to 7% royalty, which includes state royalties, which under state law can be renegotiated.

Preliminary Economic Assessment

On September 8, 2014, the Company filed the 2014 PEA for the Back Forty Project. As the 2013 Mineral Resource Estimate was replaced by the 2018 Mineral Resource Estimate, the economic analyses outlined in the 2014 PEA are not supported by the current mineral resource estimate and therefore should not be relied on until they have been verified and supported by a new technical report. The 2014 PEA, which incorporates a revised mine plan based on results from the 2013 Mineral Resource Estimate, was completed after considering various trade-off studies which looked at different mine and concentrator configurations to determine the optimal scenario for the Project. The base case scenario indicates a pre-tax NPV of $282.2 million, using a discount rate of 6%, with an IRR of 38.8%. The base case scenario reports an after-tax NPV of $210.8 million, the same discount rate, with an IRR of 32.0%.

Sensitivity Analysis

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

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

The 2014 PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Furthermore, there is no certainty that the conclusions or results as reported in the 2014 PEA will be realized.

Project Potential

Opportunities for consideration include optimization of the underground mining approach, which was not completed as part of the 2014 PEA, improving processing performance, and defining the upside potential, including further exploration and expansion of the underground resource, in-pit targets, and near-mine drill targets, which have the potential to extend mine life and improve project economics.

2018 Resource Estimate Update

In February 2018, the Company announced the 2018 Mineral Resource Estimate, which was completed by P&E Mining Consultants Inc. of Brampton, Ontario ("**P&E**"). The 2018 Mineral Resource Estimate replaces the 2013 Mineral Resource Estimate.

The 2018 Mineral Resource Estimate incorporates the results of an additional 22 diamond drill holes completed in 2015 through 2017. The additional drill holes, which were primarily designed to target Inferred Mineral Resources, successfully increased the global tonnage as well as the contained metal inventories within the Measured and Indicated Mineral Resource categories. The 2018 Mineral Resource Estimate also incorporates updated Mineral Resource modeling and Mineral Resource determinations based on updated net smelter return ("**NSR**") calculations and revised cut-off values. The updated NSR calculations incorporated updated metal pricing, recovery information and product specifications which were derived from recently completed metallurgical testwork as well as revised terms related to smelting, refining and transportation. In-pit and out-of-pit Mineral Resource quantities were determined based on the generation of optimized pit shells to determine the optimum profitable open pit configuration and incorporated updated pit slope information derived from additional geotechnical data.

Highlights of the 2018 Mineral Resource Estimate include a 10% increase in tonnage in the Measured and Indicated Mineral Resource categories versus the 2013 Mineral Resource Estimate, a 12% increase in contained zinc and a 4% increase in contained gold. Contained silver, copper and lead also increased versus the 2013 Mineral Resource Estimate.

The 2018 Mineral Resource Estimate is based on a drill hole database consisting of 741 boreholes totaling 128,670 meters of drilling, which includes the additional 22 new holes. This updated Mineral Resource Estimate does not incorporate an additional 28 holes that were drilled related to geotechnical investigations, metallurgical purposes and exploration, including drilling on the mineralized zone discovered in 2016 that is located approximately 500 meters southwest of the proposed open pit.

The 2018 Mineral Resource Estimate is summarized in the table below. P&E considers the mineralization of Back Forty to be potentially amenable to Open Pit and Out of Pit (underground) extraction. The 2018 Mineral Resource Estimate will be fully documented in a Technical Report prepared by P&E to be filed on SEDAR by March 24, 2018.

AQUILA RESOURCES

Back Forty Mineral Resource Estimate as of February 6, 2018[1-6]

Area	Metallurgy Type	Class	NSR Cut-off	Tonnes	Gold	Gold	Silver	Silver	Zinc	Zinc	Copper	Copper	Lead	Lead
			$/tonne	(1,000)	g/t	K oz	g/t	K oz	%	M lb	%	M lb	%	M lb
In-Pit	Floatable	Meas	21	6,797	1.75	381	18.4	4,027	3.45	516.5	0.38	56.4	0.16	23.4
		Ind	21	3,768	1.58	191	25.2	3,056	3.15	261.7	0.24	19.9	0.39	32.8
		M & I	**21**	**10,565**	**1.68**	**572**	**20.9**	**7,083**	**3.34**	**778.2**	**0.33**	**76.3**	**0.24**	**56.2**
		Inf	21	71	1.01	2	30.7	70	2.98	4.7	0.14	0.2	0.37	0.6
	Leachable	Meas	22	553	5.61	100	34.8	618	0.19	2.4	0.05	0.6	0.13	1.5
		Ind	22	1,777	2.15	123	39.6	2,263	0.41	16.1	0.03	1.3	0.29	11.5
		M & I	**22**	**2,330**	**2.97**	**223**	**38.5**	**2,881**	**0.36**	**18.5**	**0.04**	**1.9**	**0.25**	**13.0**
		Inf	22	378	3.62	44	40.1	487	0.38	3.2	0.06	0.5	0.52	4.3
	Total	Meas	21+22	7,350	2.04	481	19.7	4,645	3.20	518.8	0.35	57.0	0.15	24.9
		Ind	21+22	5,545	1.76	314	29.8	5,319	2.27	277.8	0.17	21.2	0.36	44.3
		M & I	**21+22**	**12,895**	**1.92**	**795**	**24.0**	**9,964**	**2.80**	**796.6**	**0.28**	**78.2**	**0.24**	**69.2**
		Inf	21+22	448	3.21	46	38.6	557	0.79	7.9	0.07	0.7	0.49	4.9
Out of Pit	Floatable	Meas	70	556	1.79	32	26.8	480	5.32	65.2	0.33	4.0	0.41	5.0
		Ind	70	3,059	1.84	180	26.2	2,577	4.23	285.4	0.51	34.3	0.30	20.3
		M & I	**70**	**3,615**	**1.83**	**213**	**26.3**	**3,057**	**4.40**	**350.7**	**0.48**	**38.4**	**0.32**	**25.3**
		Inf	70	544	2.96	52	37.5	656	1.38	16.6	0.62	7.5	0.39	4.6
	Leachable	Meas	70	37	7.38	9	74.3	89	0.31	0.3	0.12	0.1	0.11	0.1
		Ind	70	77	3.85	9	47.3	117	0.32	0.5	0.15	0.2	0.13	0.2
		M & I	**70**	**114**	**5.01**	**18**	**56.1**	**206**	**0.32**	**0.8**	**0.14**	**0.3**	**0.13**	**0.3**
		Inf	70	137	5.93	26	81.0	356	0.42	1.3	0.16	0.5	0.49	1.5
	Total	Meas	70	593	2.14	41	29.8	569	5.01	65.5	0.32	4.1	0.39	5.1
		Ind	70	3,135	1.88	190	26.7	2,694	4.14	286.0	0.50	34.6	0.30	20.5
		M & I	**70**	**3,729**	**1.93**	**231**	**27.2**	**3,262**	**4.28**	**351.5**	**0.47**	**38.7**	**0.31**	**25.7**
		Inf	70	680	3.56	78	46.2	1,011	1.19	17.8	0.53	8.0	0.41	6.1
Total	Floatable	Meas	21+70	7,353	1.75	414	19.1	4,507	3.59	581.7	0.37	60.5	0.18	28.4
		Ind	21+70	6,827	1.69	371	25.7	5,633	3.64	547.1	0.36	54.2	0.35	53.1
		M & I	**21+70**	**14,180**	**1.72**	**785**	**22.2**	**10,140**	**3.61**	**1,128.8**	**0.37**	**114.7**	**0.26**	**81.5**
		Inf	21+70	615	2.74	54	36.7	726	1.57	21.2	0.57	7.7	0.38	5.2
	Leachable	Meas	22+70	590	5.72	109	37.3	707	0.20	2.6	0.05	0.7	0.12	1.6
		Ind	22+70	1,854	2.22	132	39.9	2,380	0.41	16.7	0.04	1.6	0.29	11.7
		M & I	**22+70**	**2,444**	**3.07**	**241**	**39.3**	**3,087**	**0.36**	**19.3**	**0.04**	**2.2**	**0.25**	**13.4**
		Inf	22+70	514	4.24	70	51.0	842	0.39	4.5	0.09	1.0	0.51	5.8
	Total	Meas	21+22+70	7,943	2.04	522	20.4	5,214	3.34	584.3	0.35	61.2	0.17	30.0
		Ind	21+22+70	8,680	1.80	504	28.7	8,013	2.95	563.8	0.29	55.8	0.34	64.9
		M & I	**21+22+70**	**16,623**	**1.92**	**1,026**	**24.7**	**13,227**	**3.13**	**1,148.1**	**0.32**	**116.9**	**0.26**	**94.9**
		Inf	21+22+70	1,129	3.42	124	43.2	1,568	1.03	25.7	0.35	8.7	0.44	11.0

(1) *Mineral Resources are estimated as of February 6, 2018.*

(2) *Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.*

(3) The Inferred Mineral Resource in this estimate has a lower level of confidence that that applied to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.

(4) The Mineral Resources in this report were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council.

(5) Metallurgical type Oxide (all gold domains and leachable Gossans) is leachable, while all other metallurgical types are floatable.

(6) The Mineral Resource Estimate was based on metal prices of US$1,375/oz gold, US$22.27/oz silver, US$1.10/lb zinc, US$3.19/lb copper and US$1.15/lb lead.

Verification of gold, silver, copper, zinc and lead assay database was performed by P&E against original laboratory electronically issued certificates from ALS Chemex, Vancouver, BC, Accurassay Laboratories, Thunder Bay, Ontario, Inspectorate America Corporation, Sparks, Nevada, and Minerals Processing Corporation, Carney, Michigan. A total of approximately 60% of the wireframe constrained assays were checked. Unchecked assays were due to laboratory certificates not being made available to P&E.

P&E also validated the Mineral Resource Estimate database by checking for inconsistencies in analytical units, duplicate entries, interval, length or distance values less than or equal to zero, blank or zero-value assay results, out-of-sequence intervals, intervals or distances greater than the reported drill hole length, inappropriate collar locations, survey and missing interval and coordinate fields. Some very minor errors were noted and corrected. P&E believes that the corrected database is suitable for a Mineral Resource Estimate.

All samples submitted for analysis were analyzed for gold, silver, copper, lead and zinc. A variety of laboratory test procedures were used over a period from 2002 to 2017. In general, a minimum of 250 g of the crushed reject was split using a Jones riffle and then pulverized to more than 90% -150 mesh. At ALS in Vancouver, all samples were analyzed for gold by fire assay with AA finish (code Au- AA25) on 30 g charges. The lower and upper detection limits for this package were 10 ppb to 100 ppm, respectively. Higher-grade samples were re-run with a gravimetric finish upon request. All samples were also analyzed using a multi-element package (code ME-ICP61). ME-ICP61 consisted of a four-acid digestion, "mineralized grade" inductively coupled plasma ("ICP") package with over-limit samples re-assayed for copper, lead, zinc and silver by four-acid digestion followed by AA (code AA62). A limited number of samples were analyzed for mercury by aqua regia digestion and flameless AA spectrometry (Hg-CV41 with detection limits of 0.01 to 100 ppm), and for total sulphur by Leco furnace and infrared spectroscopy (code S-IR08 with detection limits of 0.01 to 50%). All remaining pulps and coarse rejects were returned to the Project warehouse facilities in Michigan.

The 2018 Resource Estimate was based on information and data supplied by Aquila, and was undertaken by Yungang Wu, P.Geo. and Eugene Puritch, P.Eng., FEC, CET of P&E Mining Consultants Inc. of Brampton, Ontario, both independent Qualified Persons as defined by National Instrument 43-101.

Exploration Activities

Exploration activities at the Back Forty Project concentrated on additional drill testing in the vicinity of the 2016 Zone massive sulphide. The program included drilling in both directions along strike and down dip. This drilling has defined mineralization that extends for more than 120 meters and the tuffaceous sediments that host the mineralization are open along strike to the southwest. To the east, the geologic relationship with the modeled resource remains unclear due to structural complexity.

In 2017, the assay results have been completed for all of the drill holes and the results presented below. The holes were targeting the Pinwheel, Deep Zone, and Main Zone massive sulfide outside of the proposed open pit, and were a combination of infill, step out, and geotechnical drilling.

Highlights from the drilling completed to date include:

- 0.50 grams/tonne (g/t) gold, 12.94 g/t silver, 0.09% copper, 6.49 % zinc over 2.46 meters* in LK-17-529
- 1.36 g/t gold, 36.65 g/t silver, 0.08% copper, 6.34% zinc over 11.06 meters*in LK-17-534
- 1.65 g/t gold, 28.82 g/t silver, 6.09% zinc over 8.38 meters* in LK-17-535
- 0.61 g/t gold, 3.00 g/t silver, 4.82% zinc over 1.28 meters* and
- 0.57 g/t gold, 5.47 g/t silver, 3.19% zinc over 4.53 meters* in LK-17-536
- 0.98 g/t gold, 13.27 g/t silver, 0.11% copper, 5.48% zinc over 15.97 meters* and
- 1.23 g/t gold, 11.87 g/t silver, 6.37% zinc over 18.09 meters in LK-17-537
- 1.3 grams/tonne (g/t) gold, 13 g/t silver, 0.66% copper, 9.9 % zinc over 4.99 meters* in GT-09
- 0.74 g/t gold, 9.3% zinc over 9 meters* and 1.6 g/t gold, 32 g/t silver, 1.6% copper over 20.9 meters* in GT-10
- 3.6 g/t gold, 35 g/t silver, 10.07% zinc over 7.69 meters* and 0.96 g/t gold, 29 g/t silver, 0.33% copper, and 20% zinc over 11.4 meters* in GT-11
- 1.176 g/t gold, 5.19% zinc over 42.07 meters* and 11.65 g/t gold, 50 g/t silver over 21.4 meters* in GT-12
- 1.33 g/t gold, 15 g/t silver, 0.99% copper over 45 meters* in LK-17-523

Significant intercepts from the 2017 drilling program are tabulated and described below. All intervals are expressed as drilled intervals.

Drill Hole	From m	To m	Interval* m	Gold g/t	Silver g/t	Copper %	Lead %	Zinc %
LK-17-529	55.11	57.57	2.46	0.5	12.94	0.09	0.05	6.49
LK-17-534	27.5	28.66	1.16	1.49	8	1.39	0.02	0.01
	112	114.5	2.5	0.15	38.2	0.02	0.67	0.02
Including	113.5	114.5	1	0.24	70	0.02	1.31	0.01
	116.44	127.5	11.06	1.61	40.72	0.08	0.22	6.32
Including	117.44	119.73	2.29	6.2	174.83	0.13	0.92	2.06
And	119.73	124.82	5.09	0.52	5.68	0.08	0.03	11.56
	233.5	235.5	2	0.55	28	0.75	0.01	0.12
	234.5	235.5	1	0.53	35	1.03	0.01	0.06
LK-17-535	64	78.85	14.85	0.84	13.23	0.29	0.04	0.2
Including	71.5	78.85	7.35	1.05	16.94	0.46	0.02	0.13
	106.15	108	1.85	2.03	233.82	0.09	4.13	0.09
	108	116.38	8.38	1.49	29.55	0.08	0.2	7.61
Including	108	113.38	5.38	1.85	25.58	0.13	0.17	11.46
LK-17-536	46.86	52.48	5.62	0.71	4.93	0.33	0.01	0.03
Including	46.86	47.94	1.08	1.09	13	1	0.01	0.01
	77.5	79	1.5	2.73	8	0.01	0.06	0.07
	99.72	101	1.28	0.61	3	0	0.01	4.82
	127.5	132.03	4.53	0.57	5.47	0.01	0.05	3.19
Including	129.2	132.03	2.83	0.79	7.02	0	0.07	4.27
LK-17-537	84.53	100.5	15.97	0.86	13.27	0.11	0.11	5.48
Including	87.57	97.69	10.12	0.95	7.26	0.07	0.07	7.04
	113	131.09	18.09	1.26	11.87	0.03	0.1	6.37
Including	120	122.34	2.34	3.72	22.64	0.05	0.25	4.48
And	124	131.09	7.09	1.27	15.78	0.04	0.12	12.17

*Interval is drilled thickness and does not represent true thickness.

Drill Hole	From m	To m	Interval* m	Gold g/t	Silver g/t	Copper %	Lead %	Zinc %
GT-08	19.64	24.50	4.86	1.88	214	1.12	0.20	0.03
	63.00	78.70	15.70	0.88	21	0.54	0.02	0.36
GT-09	55.50	57.00	1.50	9.379	126	0.16	0.65	0.04
	59.51	64.50	4.99	1.319	13	0.66	0.17	9.99
	76.50	89.30	12.80	2.241	9	0.3	0.04	0.16
GT-10	50.20	59.24	9.04	0.740	8	0.20	0.33	9.31
Including	76.68	78.75	2.07	2.905	38	0.14	0.3	0.03
	114.23	128.00	13.77	1.381	14	0.04	0.08	3.82
Including	114.23	117.70	3.47	1.651	13	0.07	0.05	6.93
	159.60	190.00	30.4	1.497	29	1.23	0.01	0.32
Including	159.60	180.50	20.90	1.605	32	1.58	0.01	0.37
GT-11	42.31	50.00	7.69	3.627	35	0.12	0.12	10.07
	57.80	69.20	11.40	0.962	29	0.33	0.01	20.01
	80.50	82.57	2.07	6.643	15	0.10	0.22	0.08
GT-12	337.00	379.07	42.07	1.176	15	0.17	0.05	5.19
Including	342.00	365.50	23.50	0.725	11	0.08	0.02	7.50
	378.00	399.40	21.40	11.655	50	0.44	0.41	1.29
Including	379.07	385.34	6.27	28.333	60	0.51	0.64	3.24
LK-17-521	61.10	62.75	1.65	0.381	77	0.06	1.18	3.02
	68.52	74.49	5.97	0.719	53	0.18	0.37	2.21
	133.00	145.75	12.75	0.949	10	0.29	0.04	0.07
LK-17-522	134.65	150.05	15.40	0.943	10	0.26	0.05	0.80
Including	134.65	137.00	2.35	0.975	35	0.29	0.17	4.10
LK-17-523	51.00	165.00	114.00	1.01	14	0.61	0.01	1.80
Including	67.50	99.00	31.50	0.68	9	0.28	0.01	4.55
	120.00	165.00	45.00	1.333	15	0.99	0.01	0.39
Including	133.00	137.50	4.50	2.126	22	2.07	0	0.24
LK-17-524	45.50	100.58	55.08	1.304	13	0.49	0.04	0.29
LK-17-525	142.88	143.55	0.67	0.838	32	0.04	0.46	22.42
	147.30	163.36	16.06	0.921	12	0.46	0.20	1.81
Including	147.30	154.50	7.20	0.766	19	0.59	0.43	3.62
	166.00	170.63	4.63	1.830	8	0.21	0.06	0.13

*Interval is drilled thickness and does not represent true thickness. Estimated true thicknesses for individual holes are: GT-08 90%, GT-09 95%, GT-10 48% to 62%, GT-11 67%, GT-12 73%, LK-17-521 63%, LK-17-522 60%, LK-17-523 35%, LK-17-524 74%, LK-17-525 65%

Drill Hole	From m	To m	Interval* m	Gold g/t	Silver g/t	Copper %	Lead %	Zinc %
LK-16-516	76.18	89.20	13.02	0.81	23.64	0.08	0.42	4.92
Including	77.5	86.85	9.35	0.84	10.70	0.09	0.10	6.70
Including	80	86.85	6.85	0.80	11.92	0.08	0.11	7.72
Including	83.15	86.85	3.70	0.60	10.71	0.06	0.11	9.79
LK-16-517	90.50	97.28	6.78	0.31	5.02	0.04	0.06	2.99
	127.90	128.40	0.50	0.59	304.00	0.06	4.71	0.01
LK-16-518	87.50	88.10	0.60	0.32	44.21	0.01	0.30	2.10
	172.00	187.68	15.68	0.10	18.61	0.01	0.26	0.76
Including	173.50	174.20	0.70	0.21	52.66	0.03	0.57	3.72
Including	183.10	184.00	0.90	0.11	72.58	<0.01	1.26	3.17
Including	187.00	187.68	0.68	0.08	91.74	0.05	1.45	3.27
LK-16-519	No Significant Values							
LK-16-510	No Significant Values							
LK-16-511	107.10	110.30	3.20	1.78	20.48	0.06	0.04	0.13
LK-16-512	56.00	57.20	1.20	2.29	2.93	0.01	0.01	0.004
	141.57	142.67	1.10	1.76	13.02	0.02	0.03	0.06
LK-16-513	No Significant Values							
LK-16-514	56.00	62.00	6.00	5.01	27.34	0.02	0.00	0.01
Including	60.70	62.00	1.30	14.62	87.70	0.09	0.01	0.01
	125.2	127.1	1.90	10.01	155.76	0.17	1.07	0.11
LK-16-515	25.00	27.50	2.50	2.94	6.87	0.03	0.03	0.01
	63.00	74.21	11.21	1.88	19.52	0.18	0.15	3.97
Including	63.00	65.78	2.78	4.63	39.28	0.17	0.37	1.14
Including	65.78	74.21	8.43	0.97	13.00	0.18	0.08	4.90
Including	72.34	74.21	1.87	0.45	8.32	0.11	0.06	9.73
	156.50	161.00	4.50	0.29	37.28	0.01	0.61	2.07

*Interval is drilled thickness. True thickness is unknown, but is estimated to be approximately 80% of drilled thickness in LK-16-515, LK-16-516, and LK-16-517.

LK-17-529 intersected a zinc-rich massive sulphide adjacent with a massive chlorite interval. This interval extends the 2016 Zone 30 meters east.

LK-17-534, LK-17-535 and LK-17-536 all intersected a similar stratigraphy that included multiple mineralized intervals. The three holes were drilled in a fence such that LK-17-534 was drilled, followed by LK-17-535 drilled as an overcut and LK-17-536 was drilled at a steeper angle. The fence was designed to test the down-strike extension of the 2016 Zone and confirmed the zone of massive sulphides and tuffaceous sediments continues more than 20 meters to the southwest, but may be offset vertically downward.

LK-17-537 tested an additional southwest extension of the 2016 zone. Zinc-rich massive sulphide and tuffaceous sediments were intersected more than 30 meters southwest of the mineralization identified in the LK-17-534 fence to the east.

Drill holes LK-17-521, LK-17-522, LK-17-523, LK-524, LK-17-525, GT-08, GT-09, GT-10, and GT-11 were testing the extension of the Pinwheel Zone massive sulfide to the west and southwest of the proposed open pit. The drilling was designed to infill and step out along the extension of the Pinwheel Zone (LK holes) as well as to assess the rock quality and stability of both the mineralized zones and host rocks (GT holes).

GT-12 was a geotechnical hole drilled southwest of the proposed open pit and was directed at rock quality assessment for potential underground development associated with the Main Zone massive sulfide and related stringer mineralization located approximately 200 meters below the open pit.

A total of ten drill holes were completed in 2016 with the goal of testing extensions of known mineralization and geophysical targets in proximity to the known resource at the Back Forty Project. The 2016 drilling campaign identified new zinc rich massive and semi massive sulfide zones to the southwest of the Back Forty deposit. A discrete zone of massive sulfide in LK-16-515, 516 and 517 remains open along strike to the northeast and southwest as well as at depth. This new zone lies approximately 400 meters southwest of the proposed open pit, and may eventually prove to be continuous with underground resources extending southwest from the pit. Additionally, strong geophysical trends have identified targets for an additional 500 meters to the southwest.

Separate zinc and silver mineralized horizons were also encountered deeper in LK-16-515 as well as in LK-16-518. These horizons were hosted by siliceous, tuffaceous sediments similar to the Tuff zone and deeper mineralization under the Back Forty deposit. Future drilling will target extensions of these horizons and will test potential continuity with these zones.

Drill hole LK-16-515 was designed to test a gravity anomaly along the southwest trend of the Pinwheel zone and intersected a new lens of zinc-rich massive sulfide grading 4.9% zinc, 0.97g/t gold, and 13 g/t silver over 8.43 meters. Gold mineralization was also encountered in the hole directly above the massive sulfide consisting of 2.87 meters of 4.63 g/t gold and 39.28 g/t silver giving a total thickness of gold and zinc mineralization of 11.21 meters.

LK-16-515 also encountered an additional zone of gold mineralization at 25 meters and a deeper zone of zinc, lead, and silver mineralization at a depth of 156.5 meters in siliceous, tuffaceous sediments.

LK-16-516 was a follow up, undercut of LK-16-515 and intercepted the massive sulfide horizon approximately 25m below the LK-16-515 intercept. The massive and semi massive sulfide in LK-16-516 returned 13.02 meters of 4.92% zinc, 0.81 g/t gold, and 23.6 g/t silver in similar massive and semi massive sulfides.

Gold and silver mineralization was encountered in LK-16-514 at two separate horizons approximately 60 meters apart. The orientation of these intercepts is currently unknown, but the high grades, including visible gold in the lower interval, warrant follow up drilling. This area occupies an apparent gap between known Pinwheel massive sulfide mineralization and the newly discovered zone of mineralization in LK-16-515, 516 and 517.

Drill holes LK-16-511, 512, and 513 were step out holes testing the potential extension of the Pinwheel massive sulfide northeast of the proposed open pit. They encountered significant but narrow zones of precious metal mineralization, but no extensions of massive sulfide. LK-16-510 testing a geophysical target 325 meters northeast of the open pit, did not return significant values.

All of the ten holes from this drilling program, as well as strategic historic drill holes, were surveyed with downhole, pulse electromagnetic techniques.

Permitting Activities

The Company first submitted its permit applications for the Back Forty Project with the MDEQ in November 2015. The Company has continued to use the services of Foth Infrastructure and Environment LLC based in Green Bay, WI. Consistent with Michigan's permitting process, Aquila's application requests specific permits including a Michigan Nonferrous Metallic Mineral Mining ("**Mining Permit**"), a National Pollutant Discharge Elimination System Permit ("**NPDES Permit**"), a Wetlands Permit and a Michigan Air Use Permit to Install ("**Air Permit**").

On September 2, 2016, the MDEQ provided public notice on its Proposed Decision to issue a draft Mining Permit to Aquila for its Back Forty Project. In addition to the proposed Mining Permit, Aquila also received draft NPDES and Air Permits. A final consolidated public hearing was held on October 6, 2016 for these three permits and the public comment period expired on November 3, 2016. The final Mining Permit and Air Permit were issued by the MDEQ on December 29, 2016.

The Company was issued the final NPDES Permit on April 5, 2017. The final required permit to operate and build the Back Forty Project is the Wetlands Permit covered under Part 303 of NREPA. The Company received a detailed "Correction Request" letter from the MDEQ on January 26, 2017 requesting additional information and clarification/corrections in the permit application. On October 2, 2017, the Company re-submitted the Wetlands Permit application addressing the questions in the Correction Request. In December 2017, the MDEQ deemed the Company's Wetland Permit application administratively complete.

An administrative contested case hearing adjudicated by an Administrative Law Judge regarding the validity of the Part 632 Permit to Mine issued to Aquila for the Back Forty Project by the MDEQ in December 2016 is scheduled to begin in April 2018. An individual alleging to own property near the Back Forty Project and the Menominee Indian Tribe of Wisconsin have challenged the permit. These challenges will ultimately be resolved by the Director of the MDEQ after the contested case hearing has been completed. Aquila does not anticipate the MDEQ Director will come to a different conclusion on issuing the permit than MDEQ staff, and looks forward to participating in the contested case process. In addition, the Menominee Indian Tribe of Wisconsin recently filed a federal lawsuit in the Eastern District of Wisconsin against the Environmental Protection Agency and the US Army Corps of Engineers, claiming that the federal government should exercise jurisdiction over the wetlands permitting process currently being administered by the State of Michigan and require Aquila to obtain a federal wetlands permit. Both federal agencies rejected this argument when it was presented to them last year, and Aquila anticipates that their position that the State of Michigan is properly exercising its delegated authority to issue a Wetlands Permit will be vindicated by the federal court.

AQUILA RESOURCES

Feasibility Study

The Feasibility Study optimization was kicked off in February 2017. The study optimization focused on the optimization of layout, waste rock management improved water management and water treatment. The study update also focused on improved economics including optimal CAPEX and OPEX for the purpose of enhancing the Back Forty Project business case.

The study update was led by Lycopodium Minerals Canada ("Lycopodium"), an international project management and engineering firm, based in Toronto, Ontario, Canada. Lycopodium was supported by globally recognized experts and specialist consulting engineering companies in the permit sensitive areas such as waste water treatment, tailings and waste rock management and mine design. The Feasibility Study is currently undergoing an internal review and is expected to be finalized in the first half of 2018 and runs in parallel with the Wetlands Permit process.

Underground specific geotechnical site investigation including Phase 1 of a geotechnical drill program was conducted on-site from January 2017 to March 2017 to ascertain various ground and bedrock conditions required for future underground mine design studies consistent with supporting the necessary mine infrastructure. Phase 2 of the drill program commenced in April 2017, including additional infill drilling as part of a wider resource drill campaign. Results of infill drilling will be incorporated into a pre-feasibility study commencing later this year that further assesses an underground expansion scenario.

Construction specific site investigations programs commenced in January 2018 including additional soil sampling and test pits to further define the project site in preparation for Basic Engineering expected to commence in Q3 2018.

Exploration Expenses

During the year ended December 31, 2017, the Company incurred project exploration expenditures of $6,134,257 (2016 - $4,161,524). Acquisition costs incurred on the Back Forty Project for the year ended December 31, 2017, were $277,950 (2016 – $718,293). Estimated lease, option and property acquisition costs related to the Back Forty Project for 2018 to 2022, for which the Company is materially liable throughout the duration of the agreement, are as follows:

Year	Amount
2018	$ 230,637
2019	$ 245,472
2020	$ 231,556
2021	$ 241,391
2022	$ 251,285

AQUILA RESOURCES

Reef Gold Project

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

The Company entered into a series of agreements with private landholders in Marathon County, Wisconsin for the optioning of surface and mineral rights. The agreements consist of mining leases and exploration agreements with an option to purchase. Currently, there are a total of 643 gross acres under these agreements, which have terms from 2 to 20 years up to 2031. A variable net smelter royalty up to 2% is payable in the event of mineral production on the property.

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

During the year ended December 31, 2017, the Company incurred exploration expenditures of $13,477 (2016 – $13,476). Acquisition costs incurred on the Reef Gold Project for the year ended December 31, 2017, was $61,392 (2016 - $46,031). Ongoing lease or option costs related to the Reef Project for 2018 to 2020, which are at the Company's option, are as follows:

Year	Amount
2018	$ 1,493,067
2019	$ 965,817
2020	$ 18,000

Future exploration of the property is dependent on the availability of funding.

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

Bend Project

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 a prolific VMS belt globally and hosts a number of significant deposits, including Aquila's Back Forty Project. The Bend deposit contains a historical, non-NI 43-101 compliant, resource estimate *(2)* of 2.7 million tonnes grading 2.4% copper, 1.4 g/t gold and 13.7 g/t silver, and remains open down dip and down plunge. In addition, a separate gold zone containing 1.12 million tonnes of 4.7 g/t gold and 0.31% copper was delineated in historic, non-NI 43-101 compliant, technical reports *(2)* and remains open in all directions. The Company believes the historical results to be relevant.

Since acquiring the project in 2011, the Company completed 5,800 meters of drilling, expanding and further defining base and precious metal mineralization, potentially in support of a NI 43-101 compliant resource estimate.

During the year ended December 31, 2017, the Company incurred exploration expenditures of $nil (2016 – $nil). Future exploration of the property is dependent on the availability of funding.

Note 2: The historical resource estimates for the Bend Project are based on prior data and reports prepared by previous owners of the properties. A qualified person has not done sufficient work to classify the historical estimates as current mineral resources under NI 43-101. The Company is not treating the historical estimates as current mineral resources or mineral reserves. The Company considers that the historical estimates should be considered only as historical references of tonnes and grades. No reliance should be placed on these historical estimates.

Aquila Nickel Project

Aquila has conducted nickel exploration activities in three separate areas located north of the Back Forty Project in the Upper Peninsula of Michigan. These areas were deemed prospective targets for mafic and ultramafic intrusive rocks similar to Lundin Mining's high-grade Eagle nickel-copper mine in the northern part of the Upper Peninsula. Ground and airborne geophysical surveys conducted in these areas identified marginal responses and work on these properties has been suspended.

Another significant geophysical anomaly has been identified in the area and preliminary land acquisition activities are underway.

During the year ended December 31, 2017, the Company incurred exploration expenditures of $38,609 (2016 – $73,693). Acquisition costs incurred on the Aquila Nickel Project for the year ended December 31, 2017, was $44,500 (2016 - $46,000). In December 2017, the Company wrote down $86,600 of mineral property expenses related to the Aquila Nickel properties with a corresponding expense in the Statement of Net Loss and Comprehensive Loss. The Company decided to curtail its exploration activities during 2017 and the write-down represents the previously capitalized option payments on properties that the Company decided to no longer maintain during 2017. Ongoing lease or option costs related to the Aquila Nickel Project for 2018 to 2020, which are at the Company's option, are as follows:

Year	Amount
2018	$ 3,900
2019	$ 300,000
2020	$ -

SUSPENDED PROJECTS

Finland - Kiimala and Rantasalmi Project

In July 2011, REBgold (a wholly owned subsidiary of the Company) entered into a definitive shareholder's agreement with Belvedere Resources Finland oy ("BelFin"), a wholly-owned subsidiary of Belvedere Resources (TSX.V:BEL) for REBgold to earn an interest in two of BelFin's gold properties in Central Finland. During 2016, the Company's interest was reduced to a 1% net smelter royalty.

SELECTED ANNUAL FINANCIAL INFORMATION

(Expressed in US dollars)		**2017**		2016		2015
Net loss	**$**	**11,089,656**	$	7,930,262	$	6,269,834
Loss per share		**0.04**		0.03		0.03
Total assets		**42,936,125**		26,532,104		27,499,078
Total liabilities		**34,465,813**		22,736,655		18,410,576
Dividends		**-**		-		-

RESULTS OF OPERATIONS

The following table provides selected financial information that should be read in conjunction with the financial statements of the Company for the year ended December 31, 2017:

		Year ended ended December 31,		
In US dollars		**2017**		2016
Administrative expenses	**$**	**3,376,667**	$	2,951,235
Mineral property exploration expenses		**6,186,343**		4,248,693
Transaction costs		**1,104,496**		-
Write down of mineral property interests		**86,600**		-
Net interest		**(4,357)**		5,121
Loss from operations		**10,749,749**		7,205,049
Loss on foreign exchange		**501,590**		237,512
(Gain) loss on change in value of contingent consideration		**(90,823)**		71,133
(Gain) loss on change in fair value of warrant liability		**(70,860)**		416,568
Net and comprehensive loss for the period		**11,089,656**		7,930,262
Net loss per share - basic and diluted		**0.04**		0.03

Revenues

None of the Company's properties have advanced to the point where a production decision can be made. As a consequence, the Company has no producing properties and no sales or revenues.

Administrative expenses

Administrative expenses are incurred in both US and Canadian dollars. The fluctuation of the Canadian dollar relative to the US dollar over the year ended December 31, 2017, continues to have an impact on the comparability of expenditures on a period over period basis. For the year ended December 31, 2017, administrative expenses were $3,376,667, compared to $2,951,235 for the same period last year. Significant components and changes in this expense include:

- Salaries and benefits have increased to $1,581,867 for the year ended December 31, 2017, compared to expenditures of $1,200,196, in the same period in the prior year primarily due to an increased head count. The Company anticipates that these costs will continue to increase on a year over year basis as work moves forward on the development of the Back Forty Project and the Company expands its team and commits existing consultants to payroll.
- Share based payments, as explained in Note 10(b) to the consolidated financial statements, were $537,884 for the year ended December 31, 2017. This is in comparison to $600,538 for the same period last year. Quarterly and period to date fluctuations in share based payments expense are dependent on a number of factors including, but not limited to, number of options or restricted share units ("**RSUs**") granted, valuation of options and RSUs, vesting period and timing.
- Professional fees were $239,051 for the year ended December 31, 2017, a slight decrease from $282,335, in the same period last year. Legal fees and professional fees mainly relate to corporate legal responsibilities and financial audit and tax fees.
- Management and consulting fees decreased in comparison to the same period in the prior year with expenses of $58,681 for the year ended December 31, 2017, compared to expenses of $91,029 in the same period last year. The fluctuation is due to an increase in employee head count resulting in fewer consultants being used.
- Travel and promotion costs were consistent for the year ended December 31, 2017, with expenditures of $227,717, compared to $213,108 for the same period in the prior year.
- Office and administrative costs of $345,167, increased for the year ended December 31, 2017, in comparison to the prior year with expenditures of $329,624, due to increased rent and costs associated with running two offices on a full-time basis.
- The Company had a foreign exchange loss of $501,590 for the year ended December 31, 2017, consistent with a foreign exchange loss of $237,512 in the same period of the prior year. Volatility in foreign exchange rates continues to cause significant gains and losses on both a quarterly and annual basis.

Mineral Property Expenditures

For the year ended December 31, 2017, mineral property exploration expenditures have increased to $6,186,343 from $4,248,693 for the year ended December 31, 2016. With the financing in place from the Company's latest capital transaction, the permitting process is ongoing and the Company's Feasibility Study at the Back Forty Project is continuing. In addition, the Company is also continuing its exploration efforts. Costs are increasing in line with the Company's expectations.

Quarterly Information

Selected quarterly information for the eight most recently completed quarters is presented below and has been prepared in accordance with International Financial Reporting Standards.

	For the quarters ended:			
In thousands of US dollars	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Statement of Loss				
Transaction costs	$ 1,104	$ -	$ -	$ -
Net (gain) loss in fair value of contingent consideration, warrants and debentures	(617)	998	(172)	391
Net expenses	3,019	1,910	2,434	2,282
Net loss	4,795	1,166	2,380	2,755
Loss per share	0.02	-	0.01	0.01

	For the quarters ended:			
In thousands of US dollars	31-Dec-16	30-Sep-16	30-Jun-16	31-Mar-16
Statement of Loss				
Transaction costs	$ -	$ -	$ -	$ -
Net gain in fair value of contingent consideration, warrants and debentures	(235)	484	380	142
Net expenses	1,704	1,804	2,160	1,536
Net loss	1,398	2,216	2,531	1,785
Loss per share	0.01	0.01	0.01	0.01

The variability in quarterly losses is due to the funding of exploration expenses, the irregularity of share based payments expense, the revaluation of contingent consideration, warrants and debentures and the impact of constantly fluctuating exchange rates in Canadian and US currencies.

With the funds from the recently completed private placements, the deposit from the first tranche of the Stream as well as the funds from the warrant exercises, the Company is focused on receiving its final permit and finalizing its Feasibility Study resulting in sustained higher expenditures throughout 2017. This trend began in the second quarter of 2015 and has continued throughout 2016 and 2017. Expenditures also reflect increased spending at the Company's Aquila Nickel project beginning in the second half of 2016. Expenditures are consistent with the Company's expectations.

When considering the quarterly losses, the effect of stock-based compensation is a significant factor. Share based payment expenditure is dependent on the timing of stock option grants and RSU grants. As such, there is substantial variability on a quarter over quarter basis. Share-based payment expenditures were $168,711 in the current quarter, and $98,966, $49,896, $220,311, 36,706, and $43,070 in each of the five prior quarters. Stock options totaling 370,000 and RSUs totaling 180,000 were issued in the current quarter, resulting in an increase of stock compensation expense. Higher compensation expense in the first quarter and third quarters is due to the issuance of options and this trend is also consistent with the first quarter of 2016. The third quarter of 2016 has higher expenditures due to the revaluation of stock options with extended expiry dates.

Revaluation of the Canadian dollar warrants resulted in a loss of $697,257. This is consistent with losses in the first quarter of 2017 of $423,562, the fourth quarter, third and second quarters of 2016 of $71,269, $493,206 and $342,692. This is in comparison to gains of $997,322, $194,358 and $254,723 recognized in the second and third quarter of 2017 as well as the first quarter of 2016, respectively. The significant increase in the current quarter and first quarter is due to the issuance of a total of 31,551,545 Canadian dollar warrants in November 2017 and February 2017, and was offset in the prior quarter by the exercise of 9,210,926 warrants. The revaluation is based on a number of factors including expected life, stock price at time of revaluation and volatility. Due to these factors, the resulting revaluation can have a significant impact on the loss for the quarter and substantial variability can occur on a quarter by quarter basis.

Volatility in foreign exchange rates continued to cause significant gains and losses on a quarterly basis. During the year ended December 31, 2017, the fluctuation in rates continued as the Canadian dollar continued to weaken slightly relative to the US dollar, resulting in a loss of $46,696 for the current quarter. This is consistent with losses in the each quarter of the current year in 2017 of $253,136, $118,926, $81,811 and first quarter of 2016 of $389,959. This is in comparison to gains of $71,269, $71,616 and $9,553 in the second, third and fourth quarters of 2016. The continued volatility is a trend that has continued throughout much of the current and prior fiscal years.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2017, the Company had cash of $17,152,663 compared to cash of $1,398,627 as at December 31, 2016. The Company had working capital of $15,452,406 as at December 31, 2017, compared to working capital of $661,166 as at December 31, 2016. Working capital is defined as current assets less current liabilities excluding warrants payable. The increase in working capital is the result of funds received from the Osisko transaction described below in addition to the exercise of stock options and the exercise of warrants in the current year. Also contributing to the increase in working capital was the private placement financing in February 2017. This was offset by funding the Back Forty Project Feasibility Study, the additional work required on the Wetlands Permit as well as Company overhead. In August 2017, the Company received the final $0.99 million from Osisko associated with the 2015 financing. In July 2017, Orion Mine Finance ("**Orion**") sold a royalty portfolio to Osisko which included the Company's Back Forty Project silver stream. Orion remains a shareholder of the Company.

On November 10, 2017, the Company completed a financing transaction with OBL, pursuant to which OBL agreed to commit approximately US$65 million to Aquila through the $10 million Strategic Investment and the $55 million Stream.

OBL purchased 49,173,076 units of Aquila at a price of C$ 26 cents per unit for aggregate gross proceeds of $10 million. Each unit consists of one common share and one-quarter of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company for C$ 34 cents until May 10, 2020. Osisko also has the right to participate in any future equity or equity-linked financings to maintain its ownership level in Aquila. In connection with the private placement, Osisko received the right to nominate one individual to the board of directors of Aquila and thereafter for such time as Osisko owns at least 10 per cent of the outstanding common shares. Osisko's nominee was appointed to the board of directors in November 2017. At December 31, 2017, Osisko held 14.8% of the common shares of the Company (December 31, 2016 – nil).

Concurrent with the Strategic Investment, the parties also entered into the Stream, whereby OBL will provide the Company with staged payments totaling $55 million, payable as follows:

- $7.5 million on close of the Stream;
- $7.5 million upon receipt by Aquila of all material permits required for the development and operation of the Project, and receipt of a positive Feasibility Study;

- $10 million following a positive construction decision for the Project; and
- $30 million upon the first drawdown of an appropriate project debt finance facility, subject to the COC Provision (as defined below).

The initial tranche of $7.5 million received from OBL is shown as deferred revenue on the statement of financial position. The remaining $47.5 million is payable in three installments and is subject to the completion of certain milestones and the satisfaction of certain other conditions. Therefore it is not reflected on the statement of financial position at this time. OBL has been provided a general security agreement over the subsidiaries of Aquila that are directly involved with development of the Back Forty Project.

Under the terms of the Stream Agreement, OBL will purchase 18.5% of the refined gold from the Project (the "**Threshold Stream Percentage**") until the Company has delivered 105,000 ounces of gold (the "**Production Threshold**"). Upon satisfaction of the Production Threshold, the Threshold Stream Percentage will be reduced to 9.25% of the refined gold (the "**Tail Stream**"). In exchange for the refined gold delivered under the Stream, OBL will pay the Company ongoing payments equal to 30% of the spot price of gold on the day of delivery, subject to a maximum payment of $600 per ounce.

In the event of a change of control of the Company prior to the advancement of the final $30 million under the Stream, the person or entity acquiring control over the Project may elect to forgo the final payment, in which case the Threshold Stream Percentage and Tail Stream will be reduced to 9.5% and 4.75%, respectively (the "**COC Provision**"). All other terms and conditions of the Stream will remain unchanged.

Pursuant to the Stream Agreement, the Company has agreed to pay a $200,000 capital commitment fee. The fee is payable as to 50% upon closing of the Stream transaction and 50% upon OBL funding the second deposit under the Stream. Aquila satisfied the initial $100,000 fee by way of the issuance of 478,781 common shares of the Company based upon the five-day volume weighted average price of the common shares prior to November 10, 2017. The $100,000 was expensed as part of transaction costs in the statement of net loss and comprehensive loss. The remaining $100,000 capital committee fee will be settled in a similar manner at the date when the second tranche is received.

Subsequent to year end, the Company received a re-assessment of certain of its input tax credits ("**ITCs**") totaling approximately C$ 669,000 ($529,000). The Company has recorded the amount as a payable on the statement of financial position and as an exploration expense on the statement of net loss. It is the Company's intention to file a Notice of Objection in relation to this matter as the Company disagrees with Canada Revenue Agency's characterization of these ITCs.

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

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

- In November 2017, the Company closed a financing transaction as described above with Osisko with a private placement with proceeds of $10 million and the first deposit under the Stream agreement of $7.5 million.
- In the fourth quarter of 2017, 100,000 options were exercised for cash proceeds of $14,947 (C$19,000). In addition 86,875 broker warrants were exercised for cash proceeds of $8,157 (C$10,425).
- In the third quarter of 2017, 9,210,926 warrants were exercised for cash proceeds of $1.1 million (C$1.38 million) and 100,000 options were exercised for cash proceeds of $ 16,074 (C$15,000).
- In the second quarter of 2017, 400,000 options were exercised for cash proceeds of $45,224 (C$60,000).
- In February 2017, the Company closed a non-brokered private placement offering (the "**Offering**"), raising gross proceeds of C$7.9 million. The Offering was over-subscribed with 36,017,725 units (the "**Units**") issued. Each Unit was priced at C$ 22 cents, and consisted of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one Aquila common share for C$ 30 cents until February 6, 2020.
- In the fourth quarter of 2016, 100,000 warrants were exercised for cash proceeds of $14,989 (C$20,000).
- In the fourth quarter of 2016, 1,000,000 options were exercised for cash proceeds of $112,425 (C$150,000).
- In the second quarter of 2016, 13,461,539 warrants were exercised for cash proceeds of $2,557,602.
- In the first quarter of 2016, 45,500 warrants were exercised for cash proceeds of $5,255 (C$6,825).

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

	December 31, 2017		December 31, 2016	
	Number of shares	$	Number of shares	$
Balance, beginning of year	**235,521,913**	**58,747,278**	220,914,874	56,350,520
Shares issued pursuant to a private placement	**85,190,801**	**16,018,202**	-	-
Transaction costs relating to private placement	**-**	**(468,999)**	-	-
Fair value assigned to warrants	**-**	**(1,671,141)**	-	-
Transaction costs assigned to warrants	**-**	**61,071**	-	-
Fair value assigned to broker warrants	**-**	**(75,915)**	-	-
Shares issued for capital commitment payment	**478,781**	**100,000**	-	-
Shares issued on exercise of warrants	**9,297,801**	**1,111,257**	13,607,039	2,182,898
Fair value on exercise of warrants	**-**	**20,886**	-	-
Shares issued on exercise of options	**650,000**	**76,245**	1,000,000	112,425
Fair value on exercise of options	**-**	**56,941**	-	101,435
Balance, end of period	**331,139,296**	**73,975,825**	235,521,913	58,747,278

Warrants

As at December 31, 2017, there are a total of 34,493,420 warrants priced in Canadian dollars and 865,385 warrants priced in United States dollars outstanding. For additional information, refer to note 11 of the consolidated financial statements for the year ended December 31, 2017.

Options

As at December 31, 2017, there are a total of 20,710,250 stock options outstanding with a weighted average exercise price of C$ 18 cents. For additional information, refer to note 10(b) of the consolidated financial statements for the year ended December 31, 2017.

Commitments

The Company is not committed to any material capital expenditures to the date of this MD&A.

In order for the Company to maintain its properties in good standing there are certain lease, option and property acquisition costs it will have to incur, as well as other commitments it has to fulfill. Any cash outlays required will be met from existing working capital and funding provided by capital markets or other industry partners.

MARKET TRENDS

The Company’s future financial performance is dependent on many external factors including the prices of certain precious and base metals. The markets for these commodities are volatile and difficult to predict as they are impacted by many factors including international political, social, and economic conditions. These conditions, combined with volatility in the capital markets, could materially affect the future financial performance of the Company. For a summary of other factors and risks that may affect the Company and its financial position, please refer to “Risk Factors” in the Company’s AIF.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2017, and December 31, 2016, the Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24 Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee. During the year ended December 31, 2017, director's fees, professional fees and other compensation of directors and key management personnel were as follows:

For the year ended December 31,	**2017**	**2016**
Short-term compensation and benefits	**$ 1,105,053**	$ 973,308
Share-based payments (fair value of stock option benefits and share based payments)	**451,633**	521,688
	$ 1,556,686	$ 1,494,996

During the year ended December 31, 2017, the Company had expenditures in the amount of $80,161 (2016 - $74,507) for shared office costs paid to a partnership in which one of the Company's directors has an interest.

CRITICAL ACCOUNTING ESTIMATES

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

Impairment of mineral property costs

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of value-in-use and fair value less costs to sell. The key judgment related to the financial statements is the permitting of the Back Forty Project and the ability to undertake feasibility studies on the property to develop and operate it. Should there be negative information in this regard, or negative information from future feasibility studies, then an impairment assessment would be required to be performed.

Accounting for streaming agreement

The Company entered into a streaming arrangement in 2015 with Orion and received $17.25 million to date which is being used for the development of the Back Forty mine. Refer to Note 9 (b) of the consolidated financial statements for further details. The Company entered into a gold streaming arrangement in 2017 and received $7.5 million to date which is being used for the development of the Back Forty Project. Refer to note 8 of the consolidated financial statement for further details.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the share awards and warrant liabilities are determined at the date of grant using generally accepted valuation techniques and for warrant liabilities at each balance sheet date thereafter. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price and expected dividend yield. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Contingent Consideration

The valuation of contingent consideration relies on several estimates which include the commencement date of development activities, discount rates on present value calculations and the assessment of several key risks including permitting, feasibility study, and commercial production.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("**IAS 39**") for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 was effective as at January 1, 2018, with early adoption permitted. The Company adopted IFRS 9 effective January 1, 2018. The Company has finalized its detailed impact assessment and the new standard has no material impact on the measurement of financial instruments.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued in May 2014 to replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple element arrangements. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company adopted IFRS 15 on January 1, 2018. The Company finalized its detailed impact assessment in relation to the financing component of the stream agreement and prepared detailed calculations of the measurement of the change. Specifically, the Company will be recording accretion expense beginning in January 2018, related to the significant financing component of the streams, which will increase the value of the deferred revenue and an associated interest expense. Once the company has qualifying assets for interest capitalization, this interest will form part of the cost of the qualifying asset until the asset no longer qualifies. The Company will adopt IFRS 15 on a modified retrospective application method, where the 2017 comparatives are not restated and a cumulative catch-up adjustment is recorded on January 1, 2018 for any differences identified, including adjustments to opening retained deficit. Upon transition, it is expected that the Company's deferred revenue balance will increase by approximately $2.8 million with a corresponding increase to deficit.

IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued in January 2016, replaces IAS 17, Leases. IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease. The standard is expected to impact the accounting for the Company's operating leases, which are currently reflected in the consolidated statements of loss. Under IFRS 16, all operating leases, except for short term and low value leases, are expected to be accounted for as finance leases. As a result, the leased assets and the associated obligations are recognized in the consolidated statements of financial position. The leased assets will be depreciated over the shorter of the estimated useful life of the asset and the lease term. The lease payments are apportioned between finance charges and a reduction of the lease liability. The current operating lease expense will be replaced with a depreciation charge on the leased assets and a finance charge on the lease liability, which are in aggregate expected to result in a higher total periodic expense in the earlier periods of the lease. Based on the Company's current situation, the Company does not expect any material impact upon adoption of this standard.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15. The Company does not intend to adopt IFRS 16 before its mandatory date.

NON-GAAP FINANCIAL MEASURES

Working capital is not a measure recognized under IFRS and is referred to as a Non-GAAP measure. The Company believes that this measure provides investors with an improved ability to evaluate the performance of the Company. This measure has no standardized meanings under IFRS and may not be comparable to similar measures presented by other companies. This measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The Company determines working capital as follows: current assets less current liabilities excluding warrants payable. The Company excludes warrants payable as it is a non-cash liability and has no impact on the Company's ability to satisfy its current payables.

	For the quarters ended:			
	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Working capital				
Current assets	$ 17,798,804	$ 3,421,250	$ 3,375,627	$ 5,337,776
Current liabilities excluding warrants payable	2,346,398	1,249,812	1,500,547	1,091,836
Working capital	15,452,406	2,171,438	1,875,080	4,245,940

	For the quarters ended:			
	31-Dec-16	30-Sep-16	30-Jun-16	31-Mar-16
Working capital				
Current assets	$ 1,682,530	$ 1,855,847	$ 1,860,056	$ 1,836,322
Current liabilities excluding warrants payable	1,021,364	951,920	899,303	1,026,173
Working capital	661,166	903,927	960,753	810,149

FINANCIAL INSTRUMENTS

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

Warrants

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

DISCLOSURE CONTROLS

The Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") are 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 CEO and the CFO, so that appropriate decisions can be made by them regarding public disclosure.

The system of disclosure controls and procedures includes, but is not limited to, the Company Disclosure Policy, Code of Business Ethics, the Whistleblower Policy, the effective functioning of the Audit Committee, procedures in place to systematically identify matters warranting consideration of disclosure by the Board of Directors and verification processes for individual financial and non-financial metrics and information contained in annual and interim filings, including the financial statements, MD&A's, AIF's 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 the Company's disclosure controls and procedures was conducted, under the supervision of Management, including the CEO and CFO, as of December 31, 2017. 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 December 31, 2017.

The CEO and CFO are also required, under NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings to file certifications of the interim filings. Copies of these certifications may be found on SEDAR at www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for designing internal controls over financial reporting, or supervising their design in order to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for reporting purposes in accordance with IFRS.

There was no change in the Company's internal controls over financial reporting that occurred during the fourth quarter of 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

The control framework has been designed by management with assistance by independent accounting consultants. Based on a review of its internal control procedures at the end of the period covered by this MD&A, the conclusion of management is that the internal control is appropriately designed and operating effectively as of December 31, 2017.

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.