AQUILA RESOURCES

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

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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 August 12, 2020 and reviews the business of Aquila Resources Inc. (the "**Company**" or "**Aquila**") for the three and six months ended June 30, 2020, and should be read in conjunction with the consolidated financial statements and related notes for the three and six months ended June 30, 2020. This MD&A and the accompanying consolidated financial statements and related notes for the three and six months ended June 30, 2020, have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

The technical 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.

Additional information regarding the Company, including the risks related to the Company's business and those that are reasonably likely to affect the Company's 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.

SECOND QUARTER HIGHLIGHTS

- Aquila has had no confirmed or presumptive cases of the COVID-19 virus at any of the Company's offices or at the Back Forty site. Aquila's top priority is maintaining the health and safety of its employees and local communities. Aquila's team is following the guidelines and directions set out by the local public health authorities.
- In June 2020, the Company announced that it entered into definitive agreements to amend certain terms of its gold and silver purchase agreements with a subsidiary of Osisko Gold Royalties Ltd. in order to accelerate Aquila's access to a portion of the outstanding funding under the gold purchase agreement and to provide additional flexibility (see "Liquidity and Capital Resources").
- The Company continued with its evaluation of underground mining following an open pit operation at Back Forty as outlined in the August 2018 Feasibility Study, culminating with the announcement of results of the positive Back Forty Preliminary Economic Assessment ("**PEA**") on August 5, 2020 (see "Post Quarter Highlights").
- The Company progressed certain Back Forty pre-construction activities including environmental fieldwork and site data collection.
- In preparing the accompanying Q2 financial statements, the Company realized it had erred in its foreign currency translation of cash last quarter. As a result, both cash at March 31, 2020 and the foreign exchange gain for the three month period ended March 31, 2020 were overstated by approximately $592,000. This error was discovered during the preparation of the second quarter financial statements and corrected in the financial statements for the three and six month period ended June 30, 2020. As a result, foreign exchange loss for the three month period ended June 30, 2020 is overstated by $592,000 to offset the Q1 error. There is no impact to the foreign exchange loss for the six month period ended June 30, 2020 or on the cash balance as at June 30, 2020.
- As at June 30, 2020, Aquila had cash of $4.0 million and working capital of $1.8 million. This compared to cash of $4.0 million and working capital of $1.6 million at December 31, 2019. The increase in working capital is primarily due to the funding advanced under the terms of the Company's amended stream agreements of $2.4 million as well as $931,508 received from the Company's successful Notice of Objection appeals with the Canada Revenue Agency. The Company has been focused on securing interim financing and on required permitting activities.

POST QUARTER HIGHLIGHTS

- On August 5, 2020, the Company announced the results of the PEA. Key highlights include:
    - Robust economics: After-tax NPV at a 6% discount rate of $176.3 million (approximately CA$235 million) with 26.1% IRR at long term consensus metal prices including $1,485 per ounce gold
    - Significant leverage to gold: After-tax NPV of $316.3 million at a 6% discount rate (approximately CA$422 million) with 37.8% IRR at recent spot prices including $1,998 per ounce gold with gold generating 52% of revenue
    - Includes the known underground Mineral Resources at Back Forty, increasing the life of mine to 12 full years
    - Life of mine production of over 1.5 million gold equivalent ounces with production in Year 1 of 206,000 gold equivalent ounces

- The PEA mine plan consists of open pit mining from Year 1 to Year 5. Underground development will be initiated in Year 5 and underground mining will continue to Year 11. Remaining stockpiles will be processed in Year 12 and a partial Year 13
  - Pre-production capital costs of $250.4 million benefitting from significant nearby infrastructure
  - Potential value enhancement through additional exploration as the deposit remains open at depth
- In August 2020, the Company hired Mike Foley as Director of Environment & Infrastructure. Mr. Foley has 32 years of experience as a Civil Engineer in the Upper Peninsula of Michigan and northern Wisconsin. Over the last several years, he served as a Senior Project Manager for Coleman Engineering Company ("Coleman"), where he was the lead Coleman contact for a number of mining, industrial, utility and municipal clients. Mr. Foley has a Bachelor of Science Degree in Civil Engineering (with an Environmental emphasis) from Michigan Technological University and is a licensed Professional Engineer in both Michigan and Wisconsin.
- In August 2020, the Company hired Bob Mahin as Director of Exploration. Mr. Mahin is a senior level geologist with thirty years of progressive experience guiding mineral exploration programs. Since 1990, Mr. Mahin has been based in Michigan's Upper Peninsula and has gained progressive experience from fieldwork to managing multi-million dollar exploration programs in the pursuit of gold and base metals. Mr. Mahin worked at Aquila from 2002-2011 as Senior Exploration Geologist where he led three major drilling campaigns at Back Forty. In 2009, he received his Certified Professional Geologist accreditation from the American Institute of Professional Geologists and is an NI 43-101 Qualified Person in Mineral Resources and exploration programs. He joined the Eagle nickel-copper project in the Upper Peninsula as the Senior Mine/Resource Geologist in 2011 and progressed to Chief Geologist. From 2013 to 2020, Bob was Eagle Mine's Senior Manager for Exploration and ushered the discovery of a satellite ore deposit near Eagle which is now in production.
- In July 2020, Mike Welch, the Company's Chief Operating Officer, resigned to pursue other interests.

OUTLOOK

- With the completion of the PEA, the Company will continue to progress certain Back Forty pre-construction activities including environmental fieldwork and site data collection. Aquila is also completing plans for a drilling program at Back Forty, which will be followed by a resource update. The resource update will form the basis for an updated feasibility study that is expected to be completed in 2021.
- The Company has received the four primary permits required to commence construction and operations at Back Forty. The Company is awaiting a decision by an administrative law judge regarding the contested case challenge to its Wetlands Permit, which is expected later in 2020. The Company is also working to secure additional permits prior to construction, including a Dam Safety Permit.
- Operational readiness activities including advancing plans with respect to roads, power, and concentrate logistics are underway.
- The Company is also evaluating its strategy and funding alternatives with respect to its exploration projects in Wisconsin, including its high-grade Reef gold property and its Bend copper-gold property.

AQUILA RESOURCES

COMPANY OVERVIEW

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. The Back Forty Project is a polymetallic (zinc, gold, copper, silver, lead) Volcanogenic Massive Sulphide ("**VMS**") deposit.

The Company has two other exploration projects: Reef Gold Project located in Marathon County Wisconsin 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.

The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The Company's business relies, to a certain extent, on free movement of goods, services, and capital within Canada and the United States, which has been significantly restricted as a result of the COVID-19 pandemic.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and the Company's business in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19, as well as the timing of the re-opening of the economy in Canada. Such further developments could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

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. Changes in future conditions could require a material write-down of carrying values and an inability to meet the Company's obligations as they become due.

OVERVIEW OF ACTIVE PROJECTS

Back Forty Project

The Back Forty Project is a development stage 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 million ounces of gold and 1.2 billion pounds of zinc in the Measured & Indicated Mineral Resource classifications, with additional upside potential. The Back Forty Project is directly owned by the Back Forty Joint Venture LLC ("**BFJV**") which controls approximately 3,222 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. Aquila has received the four primary State and Federal permissions required for the construction and commencement of operations at the Back Forty Project. Aquila is in the process of resolving contested case challenges to its Wetlands Permit and amended Mining Permit. The Company is working to secure additional permits prior to construction, including a Dam Safety Permit.

Preliminary Economic Assessment

On August 5, 2020, the Company announced the results of a positive Preliminary Economic Assessment ("**PEA**") for its wholly-owned Back Forty Project ("**Back Forty**" or the "**Project**"), located in the Upper Peninsula of Michigan, USA. The PEA demonstrates Back Forty's value as a high grade, gold-rich project with compelling economics in a Tier 1 jurisdiction. The PEA builds on the Company's 2018 open pit Feasibility Study and includes the currently known underground Mineral Resources.

The PEA was prepared in accordance with National Instrument 43-101 ("**NI 43-101**") by P&E Mining Consultants Inc. in collaboration with Golder Associates Ltd. and Lycopodium Minerals Canada Ltd. The team was led by Andrew Boushy, P.Eng. SVP Capital Projects of Aquila with support from Neil Lincoln, P.Eng. of Lincoln Metallurgical Inc. The Company plans to file the PEA Technical Report ("**Technical Report**") on SEDAR at www.sedar.com within 45 days of August 5, 2020 The PEA is preliminary in nature, includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be classified as Mineral Reserves, and there is no certainty that the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

TABLE 1
PEA SUMMARY METRICS

Area	Item	Units	Base Case Price Deck[1]	Spot Price Deck[2]
Process Production	Total Process Feed	Million tonnes	15.9	
	Grade	g/t gold equivalent (AuEq)[4]	4.2 g/t	3.7 g/t
	Total Recovery and Payability	% of contained AuEq	74.3%	73.4%
	Payable Gold	koz gold	692	
	Payable Gold Equivalent	koz gold equivalent	1,543	1,323
	Annual Gold Equivalent	koz gold equivalent	128	110
	Life of Mine	Years	12 years	
	Throughput	Tonnes per day (t/d)	Nominal 2,800 t/d sulphides + 350 t/d oxides	

TABLE 1 PEA SUMMARY METRICS				
Area	**Item**	**Units**	**Base Case Price Deck[1]**	**Spot Price Deck[2]**
Metal Price Deck	Gold	$/oz	$1,485	$1,998
	Zinc	$/lb	$1.08	$1.04
	Copper	$/lb	$3.05	$2.92
	Silver	$/oz	$18.20	$25.00
	Lead	$/lb	$0.91	$0.83
Revenue and OPEX	Gross Revenue	$/t process feed	$132	$149
	NSR	$/t process feed	$113	$130
	Total Site Opex	$/t process feed	$52	
	Royalties	% of NSR	2.0%	2.1%
	EBITDA[3]	$/t process feed	$59	$75
	EBITDA margin	% of EBITDA / NSR	52%	58%
	C1 Cash Costs (co-product)[3]	$/oz gold equivalent	$733	$854
	C1 Cash Costs (by-product)[3]	$/oz gold	$(82)	$(29)
CAPEX	Initial Capital	$ M	$250.4	
	Sustaining Capital	$ M	$214.1	
	AISC (co-product)[3]	$/oz gold equivalent	$926	$1,078
	AISC (by-product)[3]	$/oz gold	$397	$462
Unlevered Returns	Pre-Tax NPV 6% discount rate	$ M	$248.3	$430.3
	Pre-Tax IRR	%	31.6%	45.4%
	Post-Tax NPV 6% discount rate	$ M	$176.3	$316.3
	Post-Tax IRR	%	26.1%	37.8%
	After-tax Payback	years	2.4	1.6

1. The Base Case macro-economic forecast assumes flat pricing that has been drawn from the consensus long term estimates of select banks as of July 2020.
2. As at August 4, 2020.
3. None of EBITDA, C1 cash costs or all-in sustaining costs (“AISC”) have a standardized meaning under IFRS. See “Non-IFRS Measures”.
4. Gold equivalent ounces were determined by calculating the total value of metals contained or produced and dividing that number by the gold price ($1,485/oz gold Base Case or $1,998/oz gold Spot Case). As the denominator is higher in the Spot Case, the gold equivalent is lower than at Base Case prices. Gold equivalent grade is calculated by dividing the number of gold equivalent ounces by the Mineral Resource size (tonnes).
5. Project economics reflect the Company’s gold and silver streaming agreements with Osisko Gold Royalties (see Aquila press release dated June 18, 2020). The PEA financial model includes $30 million of initial payments under the gold stream to be received during the design and construction period. The 2018 Feasibility Study did not include the impact of the gold streaming agreement.

TABLE 2 SENSITIVITY TO GOLD PRICE[1]			
Gold Price ($/oz)	After-tax $NPV_{6\%}$ ($M)	After-tax IRR	Gold % of Gross Revenue
$1,200	$83	16.9%	40%
$1,400	$149	23.6%	43%
$1,600	$213	29.3%	47%
$1,800	$277	34.6%	50%
$2,000	$341	39.6%	52%
$2,200	$401	44.1%	55%
$2,400	$460	48.5%	57%

1. All other metals as Base Case metal prices.

OPPORTUNITIES

The PEA outlined a number of initiatives that may enhance the Project including:

- **Increased gold recovery:** There is value in further investigating leaching sulphide flotation tailings to economically recover additional gold. Previous scoping metallurgical test work and cost analysis investigated various options, at a high level, to extract gold from flotation tailings and was favourable at gold prices above $1,600/oz.
- **Contract mining:** The current mine operations plan is based on an owner-operated mine fleet. Contract mining may be an option to offset initial mine capital costs and mitigate any risks associated with training, operational readiness and the availability of experienced mine personnel.
- **Contract process plant operations and maintenance:** The current process plant operations plan is based on owner operating and maintaining the process plant. An operations and maintenance contract may be an option to mitigate any risks associated with training, operational readiness and the availability of experienced process plant operators and maintenance personnel.
- **Resource confirmation and expansion:** Complete additional infill drilling with the objective of step-out drilling to potentially expand Mineral Resources.

BACK FORTY PROJECT BACKGROUND

A Feasibility Study on the Project was completed in August 2018 that studied open pit mining and on-site processing plants for treating oxide material to produce gold doré and sulphide material to produce zinc, copper, and lead concentrates. The subject of the PEA relates to an expansion of the open pit mining case (Phase 1) by proposing the development of an underground mine (Phase 2) associated with the Project after the open pit phase is complete. It should be noted that the Company has not yet commenced the permitting process for a potential underground expansion.

While the value proposition and operating context for the PEA are similar to the 2018 Feasibility Study, the PEA reflects certain enhancements including:

- As a result of the addition of an underground mine expansion, the oxide and sulphide processing plants were resized to a lower nominal throughput to align them with expected underground mine throughput and to optimize the Project's economics. The oxide process plant throughput has been reduced from 800 t/d to 350 t/d and the sulphide process plant throughput has been reduced from a nominal 4,000 t/d to 2,800 t/d. The reduction in process plant throughput contributed to a $54 million decrease in initial capital expenditures versus the 2018 Feasibility Study.

- The oxide processing flowsheet was updated to include a SART (sulfidization, acidification, recycling and thickening) plant for optimal doré quality, silver recovery, mercury management, and cyanide management.
- Process plant feed, stockpile management and sulphide process plant change-overs have been optimized to improve operability.
- Additional metallurgical test work has been incorporated to assess blending options and recovery performance and penalties.
- Updated permit conditions have been incorporated, including a double liner leak detection system under all waste rock storage areas and additional contact water storage volume.

MINERAL RESOURCE ESTIMATE

The Mineral Resource Estimate is set out in Table 3 and was prepared by P&E Mining Consultants Inc. The Deposit is well-defined with 94% of the Mineral Resource contained in the Measured and Indicated ("**M&I**") classifications. On a gold equivalent basis, the Deposit contains 2.5 million gold equivalent ounces in the M&I classifications at a grade of 4.3 g/t gold equivalent.

TABLE 3
MINERAL RESOURCE ESTIMATE AS AT OCTOBER 14, 2019

Classification	Tonnes (1,000)	Gold (g/t)	Gold (koz)	Silver (g/t)	Silver (koz	Copper (%)	Copper (mlb)	Lead (%)	Lead (Mlb)	Zinc (%)	Zinc (Mlb)
Open Pit											
Measured	7,062	1.94	440.1	18.95	4,302.0	0.34	53.51	0.14	22.1	3.02	470.1
Indicated	4,341	1.75	244.7	29.67	4,140.1	0.14	13.55	0.35	33.8	1.97	188.1
M&I	**11,403**	**1.87**	**684.8**	**23.03**	**8,442.0**	**0.27**	**67.05**	**0.22**	**55.9**	**2.62**	**658.2**
Inferred	264	3.13	26.6	42.32	359.4	0.06	0.35	0.56	3.3	0.62	3.6
Underground											
Measured	1,382	2.21	98.0	25.37	1,127.7	0.30	9.1	0.32	9.7	4.43	134.9
Indicated	5,486	1.86	327.7	25.98	4,582.8	0.42	51.2	0.32	38.2	3.53	427.3
M&I	**6,868**	**1.93**	**425.7**	**25.86**	**5,710.6**	**0.40**	**60.3**	**0.32**	**47.9**	**3.71**	**562.2**
Inferred	930	3.88	116.0	51.21	1,531.8	0.47	9.7	0.45	9.2	1.40	28.7
Total											
Measured	8,444	1.98	538.1	20.00	5,429.7	0.34	62.6	0.17	31.8	3.25	605.0
Indicated	9,827	1.81	572.4	27.61	8,722.9	0.30	64.7	0.33	72.0	2.84	615.4
M&I	**18,271**	**1.89**	**1,110.4**	**24.09**	**14,152.6**	**0.32**	**127.3**	**0.26**	**103.8**	**3.03**	**1,220.5**
Inferred	1,194	3.71	142.5	49.24	1,891.2	0.38	10.1	0.47	12.5	1.23	32.3

1. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.
2. 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 than 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 Technical 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. The Mineral Resource Estimate was based on metal prices of $1,375/oz gold, $22.27/oz silver, $1.10/lb zinc, $3.19/lb copper and $1.15/lb lead.
6. Open pit Mineral Resources were defined within the constraining pit design as per the 2018 Feasibility Study.
7. NSR cut-off values were established for each metallurgical type. Refer to the Technical Report for full details.

MINING

The Back Forty mine plan presented in the PEA is based on mining the highest value material as soon as possible and treating this material through the process plants to maximize cash flow. This strategy is achieved by mining the mineralized material and either feeding the material directly to the process plant or stockpiling the material on-site for processing later per a feed schedule based on optimal economics for the operation. This plan consists of a combined open pit and underground mining operation. Open pit mining will take place from Year 1 to Year 5. Underground development will be initiated in Year 5 and underground production mining will continue to Year 11.

A series of grade blending stockpiles, by material type, will serve to prioritize the processing of higher-grade material and also manage fluctuations in process plant feed delivery from the two mining operations.

The Back Forty Project area consists of very subdued terrain and topography. The area, topography and climate are amenable to the conventional open pit mining operations proposed for the Project. The open pit mining operation will encompass a single open pit that will be mined with conventional mining equipment in three pushback phases. The underground mine will be developed beneath the open pit with a single decline access point located partway down the open pit main access ramp.

Open Pit Mining

The open pit design is based on the 2018 Feasibility Study design. Minor modifications were made to standardize on 5-metre-high benches with a quadruple bench configuration, resulting in a 20-metre vertical distance between catch berms.

Open pit mining operations will be carried out by Company personnel except for blasting operations. A blasting contractor will be used to supply the explosives, prepare the blasts, charge the holes, fire the blast, and inspect the area post-blast. The equipment fleet will consist of hydraulic excavators and wheel loaders, both with 8 m^3 buckets, and 90 t capacity haul trucks, plus track dozers, graders, and support equipment. A summary of the open pit mining schedule is shown in Table 4.

TABLE 4
OPEN PIT MINING SCHEDULE

Type	Units	Total	Year					
			Y-1	Y1	Y2	Y3	Y4	Y5
Overburden	kt	3,778	1,233	1,648	896	-	-	-
Waste Rock	kt	47,970	1,568	9,263	12,130	13,437	10,512	1,058
Total Waste	**kt**	**51,747**	**2,801**	**10,911**	**13,027**	**13,437**	**10,512**	**1,058**
Process Plant Feed Mining								
Total Sulphide	kt	8,815	73	2,236	1,647	1,406	2,678	776
Total Oxide	kt	1,317	126	353	327	157	309	45
Total Feed	**kt**	**10,132**	**199**	**2,589**	**1,974**	**1,563**	**2,987**	**821**
Total Material	**kt**	**61,880**	**3,000**	**13,500**	**15,000**	**15,000**	**13,500**	**1,879**
Strip ratio	w:o	5.1	14.1	4.2	6.6	8.6	3.5	1.3
Feed to Stockpiles	kt	6,961	199	1,995	1,609	575	1,953	629

Underground Mining
Extraction of the underground Mineral Resource will be achieved by a combination of mechanized Cut and Fill ("CF") or Longhole ("LH") methods. CF mining is the dominant method, producing approximately 63% of mined tonnes, with LH producing the remaining 37% of tonnes. CF mining uses one of four stope sizes, and targets flatter-dipping material (dip less than 55°). LH mining uses one of two stope size subsets and orientations (transverse or longitudinal). The weighted average direct mining cost is $33/tonne.

The underground mine begins construction and development in Year 5 with commercial production achieved in Year 6. The production rate of the underground varies depending on development requirements, with a commercial production rate of 2,300 t/d, increasing to a maximum of 3,200 t/d in Year 7.

Table 5 shows the production tonnes from the Back Forty underground deposit by year and mining method.

TABLE 5
PRODUCTION BY MINING TYPE BY YEAR (KT)

Type	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
LH	-	-	-	-	438	968	732	**2,138**
CF Type 1	-	98	503	520	268	-	-	**1,389**
CF Type 2	119	551	558	536	232	-	-	**1,996**
CF Type 3	1	18	43	47	13	-	-	**122**
CF Type 4	1	16	22	24	8	-	-	**72**
Total	**122**	**683**	**1,126**	**1,126**	**959**	**968**	**732**	**5,717**

MINERAL PROCESSING AND METALLURGY

Oxide mineralized material and sulphide mineralized material (Main, Pinwheel and Tuff material) will be treated through separate process plants.

The oxide mineralized material will be processed via a cyanidation leach circuit to produce doré. Depending on the grades of copper, zinc and lead, the sulphide mineralized material will be processed via two stages of flotation to produce concentrates, i.e. either a copper and zinc concentrate, or a lead and zinc concentrate.

Sulphide mineralized material will be processed on a campaign basis based on the main material types that have a similar metallurgical response. As such the design of the sulphide process plant is based on a flexible metallurgical flowsheet to process the main material types.

The oxide process plant has been designed for a throughput of 350 t/d. The overall flowsheet includes the following steps:

1. Three stage crushing using an open circuit jaw crusher, open-circuit secondary cone crusher and closed-circuit tertiary cone crusher.
2. Grinding and classification.
3. Pre-leach thickening.
4. Cyanide leach.

5. Vacuum filtration of leaching tailings.
6. SART.
7. Carbon-in-Column gold adsorption.
8. Carbon acid-washing, desorption and recovery.
9. Smelting to produce doré.
10. Cyanide destruction of the final wash filtrate from the vacuum filtration step.
11. Tailings repulping and disposal to the Tailings Management Facility (“**TMF**”).

The sulphide process plant has been designed for a nominal throughput of 2,800 t/d. The overall flowsheet includes the following steps:

1. Primary crushing.
2. Coarse mineralized material stockpile and reclaim.
3. Grinding and classification.
4. Gravity concentration.
5. Bulk rougher flotation to produce copper concentrate or lead concentrate depending on mineralized material campaign.
6. Zinc rougher flotation.
7. Bulk concentrate regrind (copper or lead concentrate).
8. Zinc concentrate regrind.
9. Bulk cleaner flotation, using three stages of cleaning (copper or lead concentrate).
10. Zinc cleaner flotation, using two stages of cleaning.
11. Bulk concentrate thickening and filtration (copper or lead concentrate).
12. Zinc concentrate thickening and filtration.
13. Tailings thickening and disposal in the common TMF.

Metal Production

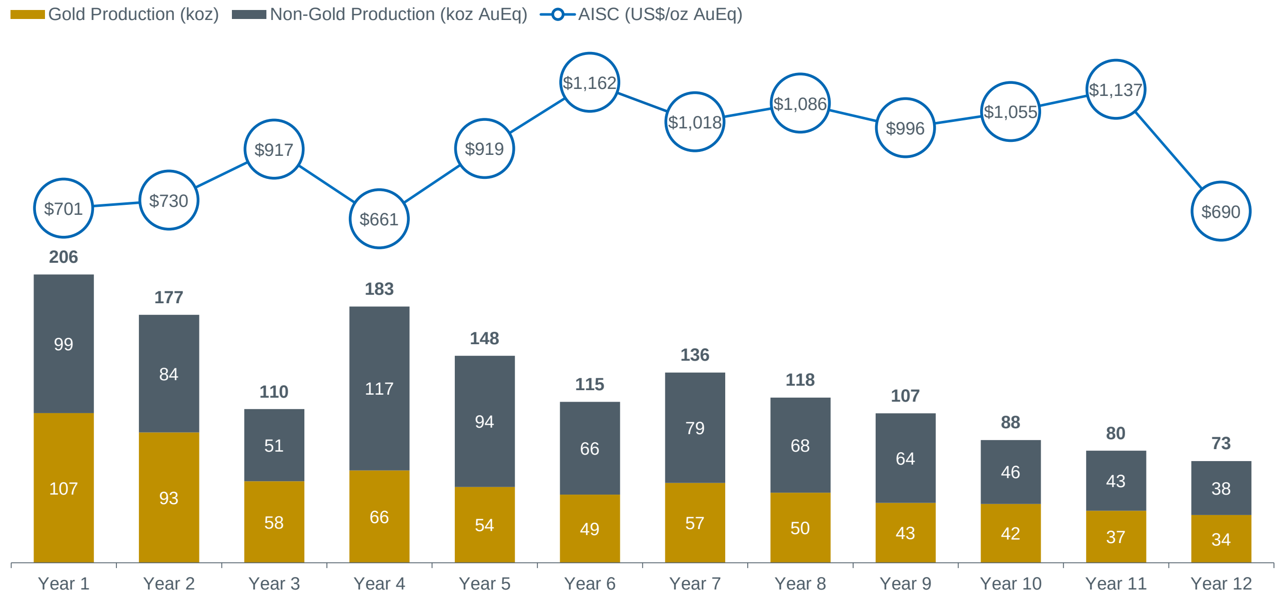
Metal production figures are summarized Table 6.

TABLE 6
PAYABLE METAL PRODUCTION

Metal	Life of Project	Average Annual
Gold (K oz)	692	58
Zinc (M LBS)	801	67
Copper (M lbs)	86	7
Silver (K oz)	6,260	522
Lead (M lbs)	26	2

The production profile at Base Case metal prices is shown in Figure 1.

Figure 1: Production Profile



A summary of the life of project revenue by metal, revenue by product, and recovery by metal are included in Table 7 (calculated at Base Case metal prices).

TABLE 7

Revenue by Metal

Metal	% of Revenue
Gold	45%
Zinc	38%
Copper	11%
Silver	5%
Lead	1%
Total	**100%**

Revenue by Product

Product	% of Revenue
Zinc Concentrate	43%
Copper Concentrate	38%
Doré	13%
Lead Concentrate	6%
Total	**100%**

Total Recovery by Metal

Metal	Recovery
Gold	74.3%
Zinc	91.9%
Copper	81.2%
Silver	67.2%
Lead	83.7%

Concentrate Marketing

In addition to a Doré, the Back Forty Project will produce zinc, copper and lead concentrates. The zinc concentrates will on average grade 53.9%, the copper concentrates will on average grade 18.5% (with high precious metals content), and the lead concentrate will on average grade 35%. Over its 12-year life, the Project will on average annually produce 66,200 tonnes of zinc concentrate, 18,600 tonnes of copper concentrate and 3,100 tonnes of lead concentrate. All concentrates are expected to be marketable. Studies are ongoing to evaluate the optimal blends, destinations and transport options for Back Forty concentrates. The Company believes that there are multiple attractive options for each of the concentrates.

CAPITAL AND OPERATING COSTS

The capital estimate is summarized in Table 8 by area and by discipline. All costs are based on Q3 2019 pricing. The estimate is deemed to have an accuracy of ±25%.

TABLE 8 CAPITAL ESTIMATE SUMMARY BY AREA	
Item	**Capital Costs ($M)**
Construction Indirects	11.4
Oxide Process Plant	24.1
Sulphide Process Plant	57.5
TMF/Waste Rock Facility	42.6
Infrastructure	34.2
Mining	23.6
EPCM	15.7
Owner costs	11.4
Subtotal	**220.6**
Contingency (14%)	29.9
Total	**250.4**

Sustaining Capital

Capital expenditures incurred after Year -1 are considered sustaining capital. Open pit sustaining capital totals $45.9M in expenditures primarily incurred between Year 1 and Year 6. Initial capital costs for the underground mine are treated as sustaining capital costs for the Back Forty Project since open pit mining will be well underway by the time the underground mine is developed. Sustaining capital costs also include all costs associated with infrastructure, capital waste development (vertical and lateral), relevant equipment leasing costs (down payments, legal fees, origination costs and mobilization costs), and the paste backfill plant. Total underground sustaining capital costs are estimated at $98.9M primarily incurred in Year 5 and Year 6.

Other Project sustaining capital costs include subsequent TMF stage raises over the LOM and process plant annual capital expenditures. Other Project sustaining capital schedule over the life of mine is estimated at $69.3M incurred between Year 1 and Year 5.

Mine closure costs, salvage value and rehabilitation costs are estimated at $75M.

Operating Costs

A summary of the life of project operating costs is outlined in Table 9.

TABLE 9 OPERATING COSTS SUMMARY		
	Life of Project Cost ($M)	**Unit Cost ($/t)**
Gross Revenue	2,095	132
Realization Charges	310	19
NSR (Base Case)	**1,785**	**113**
Open pit mining	178	11
Underground mining	288	18
Process plant	310	20
G&A	46	3
Total Site Opex	**821**	**52**

Current Project Activities

- With the completion of the PEA, the Company will continue to progress certain Back Forty pre-construction activities including environmental fieldwork and site data collection. Aquila is also completing plans for a drilling program at Back Forty, which will be followed by a resource update. The resource update will form the basis for an updated feasibility study that is expected to be completed in 2021.
- Operational readiness activities including advancing plans with respect to roads, power, and concentrate logistics are underway.
- The Company has initiated a resource development process to facilitate and expedite the cost-effective prioritization of drill-ready targets based on probability of success. The process includes migration of all geologic and geotechnical data to a cloud-based data management system and refinement of the 3D geologic model.
- The Company will add to its leadership team to prepare for the construction and operational readiness phases at Back Forty.

Permitting Activities

The Company has received the four primary permits required to commence construction and operations at Back Forty. The Company is working to secure additional permits prior to construction, including a Dam Safety Permit.

The Company first submitted its permit applications for the Back Forty Project with the Michigan Department of Environmental Quality, now the Michigan Department of Environment, Great Lakes, and Energy ("**EGLE**") in November 2015. Consistent with Michigan's permitting process, Aquila requested specific permits including a Michigan Nonferrous Metallic Mineral Mining Permit ("**Mining Permit**"), a National Pollutant Discharge Elimination System Permit ("**NPDES Permit**"), wetland/stream/floodplain permit ("**Wetlands Permit**") and a Michigan Air Use Permit to Install ("**Air Permit**"). The Company has received all four permits. The Company expects to submit an application for a Dam Safety Permit in the coming months.

The Mining Permit and Air Permit were issued by EGLE on December 29, 2016. The Company was issued the NPDES Permit on April 5, 2017 and was issued the Wetlands Permit on June 4, 2018. The Wetlands Permit was issued inclusive of specific conditions, including conditions requested by the US Environmental Protection Agency.

On November 2, 2018, the Company submitted amendments to its Mining Permit to EGLE to align the permit with the project design outlined in the Feasibility Study as well as in the Wetlands Permit. The Company also submitted amendments to its Air Permit in November 2018. A proposed decision on the Mining Permit amendment was issued on May 22, 2019. A consolidated public hearing was held on June 25, 2019. On December 12, 2019, the Company announced that EGLE approved amendments to Aquila's Mining Permit and its Air Permit following an extensive environmental and technical review process.

As part of the Mining Permit amendment, in November 2018 the Company applied to EGLE for Dam Safety Permits in connection with the Company's planned tailings facility and contact water basin. EGLE informed the Company that additional groundwater modelling, which the Company is already completing as part of its Wetlands Permit compliance activities, will be required before it can process the Company's application. Aquila expects to re-submit its application in the coming months.

The Company has applied to renew its NPDES Permit and expects its application to be processed in 2020.

Legal Challenges

The Company has made significant progress defending its permits and, to date, Aquila has received favorable rulings on all resolved legal challenges.

- Mining Permit (resolved successfully)
  - By February 2017, both the Menominee Indian Tribe of Wisconsin ("**Tribe**") and an individual owning property near the project site ("**Petitioners**") filed an administrative contested case challenge to EGLE's issuance of the Mining Permit.
  - An administrative law judge ("**Judge**") convened an evidentiary hearing in April of 2018 on the Petitioners' contested case challenges. The hearing ended in October 2018. On May 3, 2019, the Michigan Office of Administrative Hearings and Rules issued a Final Decision and Order upholding the Mining Permit. Following 30 days of cumulative testimony, the Judge issued a final decision finding "that the proposed mining operation will not pollute, impair, or destroy the air, water and other natural resources, or the public trust in those resources," in compliance with Michigan's Nonferrous Metallic Mining Statute.
  - On May 28, 2019, the Petitioners appealed the decision to an internal environmental review panel ("**Panel**") made up of technical experts from various fields. On November 27, 2019, the Company announced that the Panel unanimously upheld the Final Decision and Order previously made by the Judge in support of the Mining Permit. The Panel's ruling represents EGLE's final decision.
  - The Tribe has appealed this final decision to the state circuit court. Unless the Tribe is ultimately successful, the Company does not anticipate that the appeal process will impact the development timelines for Back Forty.
- Wetlands Permit (in progress)
  - On August 2, 2018, the Petitioners and the Coalition to SAVE the Menominee River ("**Coalition**") filed administrative contested case challenges to the Wetlands Permit.
  - An evidentiary hearing on the contested case challenge to the Wetlands Permit began in June 2019. The same Judge that ruled on the Mining Permit contested case is hearing the Wetlands Permit contested case. Rebuttal testimony was completed on October 25, 2019 and briefings closed at the end of January 2020. The Company expects a final decision to follow later in 2020.
- Amended Mining Permit (in progress)
  - In February 2020, the Petitioners filed administrative contested case challenges to the Mining Permit amendments. The Company does not expect the Judge to reach a different conclusion than he did in the original Mining Permit case.
- Federal litigation related to the Wetlands Permit (resolved)
  - In January 2018, the Tribe filed a lawsuit in the U.S. District Court for the Eastern District of Wisconsin ("**District Court**") challenging the EPA and the U.S. Army Corps of Engineers' failure to exercise jurisdiction over Aquila's Wetlands Permit for its Back Forty Mine. In December 2018, however, the District Court dismissed the Tribe's lawsuit, holding that the

Tribe could not challenge the federal government's refusal to exercise jurisdiction over the Wetlands Permit under the Administrative Procedures Act or the Clean Water Act. The Tribe appealed this decision to the US Court of Appeals for the Seventh Circuit ("**Appeals Court**"). On January 27, 2020, the Appeals Court, in a unanimous decision, dismissed the lawsuit and affirmed the judgment made by the District Court. The Tribe requested a rehearing of its appeal, and that request was denied in a unanimous decision by the Appeals Court in May 2020. Barring a successful petition to the United States Supreme Court for review, the Company believes this marks the end of the Tribe's federal challenge to the Back Forty Project.

- In November of 2018, the Coalition filed a nearly identical lawsuit to the prior lawsuit in the same court filed by the Tribe. Accordingly, Aquila intervened in the Coalition's lawsuit, and Aquila and the United States moved to dismiss the complaint. In response, on April 16, 2019, the Coalition filed an amended complaint. Aquila and the United States filed another motion to dismiss on May 7, 2019. On October 21, 2019, the Court dismissed the Coalition's lawsuit. The Coalition appealed the decision, but subsequently withdrew its appeal.

Exploration Expenses

During the six months ended June 30, 2020, the Company incurred project exploration expenditures of $516,399 (2019 - $3,152,066). Acquisition costs incurred on the Back Forty Project for the six months ended June 30, 2020, were $1,000 (2019 – $43,750). Estimated lease, option and property acquisition costs related to the Back Forty Project for 2020 to 2024, for which the Company is materially liable throughout the duration of the agreements, are as follows:

Year	Amount
2020	$ 81,000
2021	246,391
2022	251,285
2023	256,179
2024	256,179

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 1 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 six months ended June 30, 2020, the Company incurred exploration expenditures of $5,107 (2019 – $10,850). Acquisition costs incurred on the Reef Gold Project for the six months ended June 30, 2020, was $29,223 (2019 - $32,223). Ongoing lease or option costs related to the Reef Project for 2020 to 2024, which are at the Company's option, are as follows:

Year	Amount
2020	$ 220,520
2021	432,548
2022	661,234
2023	6,000
2024	6,000

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.

On May 29, 2019, Aquila strengthened its land position at Bend by entering into a long-term mineral lease agreement with a party that owns the mineral rights on a portion of the deposit.

During the six months ended June 30, 2020, the Company incurred exploration expenditures of $nil (2019 – $45,252). Acquisition costs incurred on the Bend Project for the six months ended June 30, 2020, was $nil (2019 - $50,000). Future exploration of the property is dependent on the availability of funding. Ongoing lease or option costs related to the Bend Project for 2020 to 2024, which are at the Company's option, are as follows:

Year	Amount
2020	$ -
2021	-
2022	25,000
2023	25,000
2024	25,000

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.

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 three and six months ended June 30, 2020:

	Three months ended June 30, 2020		**Six Months Ended June 30, 2020**	
In US dollars	**2020**	2019	**2020**	2019
Mineral property exploration expenses	**($190,654)**	$ 2,164,885	**$ 521,506**	$ 3,208,168
Administrative expenses	**845,826**	1,170,077	**1,650,053**	2,420,760
Net finance charges (recoveries)	**2,561,415**	608,668	**2,732,013**	1,305,334
Loss from operations	**$ 3,216,587**	$ 3,943,630	**$ 4,903,572**	$ 6,934,262
(Gain) loss on foreign exchange	**791,227**	79,162	**(193,007)**	(12,837)
Loss (gain) on change in value of contingent consideration	**15,692**	98,720	**236,605**	162,488
(Gain) loss on change in fair value of warrant liability	**117,990**	(302,564)	**(45,064)**	(349,622)
Net and comprehensive loss for the period	**$ 4,141,496**	$ 3,818,948	**$ 4,902,106**	$ 6,734,291
Net loss per share - basic and diluted	**0.01**	0.01	**0.03**	0.02

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 three and six months ended June 30, 2020, continues to have an impact on the comparability of expenditures on a period over period basis. For the three and six months ended June 30, 2020, administrative expenses were $845,826 and $1,650,053, compared to $1,170,077 and $2,420,760 for the same period last year. The decrease in expenditures is a result of management deferring discretionary spending beginning in the fourth quarter of 2019 as well as the impact of COVID-19. Significant components and changes in this expense include:

- Salaries and benefits have decreased to $402,299 and $990,654 for the three and six months ended June 30, 2020, compared to expenditures of $580,879 and $1,185,931, in the prior year primarily due to a decreased headcount. Several employees were temporarily furloughed due to COVID-19 and management salary reductions were also put into effect beginning in Q2 2020. The Company anticipates that these costs will increase on a period over period basis as work moves forward on the development of the Back Forty Project and the Company expands its team accordingly.

- Share-based payments, as explained in Note 10(b) to the consolidated financial statements, were \$87,462 and \$70,627 for the three and six months ended June 30, 2020. This is in comparison to \$175,970 and \$320,451 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, restricted share units ("**RSUs**") granted or deferred share units ("**DSUs**"), valuation of options, RSUs and DSUs, vesting period and timing.
- Professional fees were \$251,741 and \$281,348 for the three and six months ended June 30, 2020, a decrease from \$49,147 and \$109,223, in the same period last year. The increase to legal fees is due to corporate development activities in the second quarter of 2020. Legal fees and professional fees mainly relate to corporate legal responsibilities and financial audit and tax fees.
- Travel and promotion costs decreased for the three and six months ended June 30, 2020, with expenditures of \$2,239 and \$22,934, compared to \$90,709 and \$166,312 for the same period in the prior year due to a reduction in discretionary spending. In addition, the restrictions in place due to COVID-19 will significantly decrease travel and promotion costs to date.
- Office and administrative costs were \$44,833 and \$144,778 for the three and six months ended June 30, 2020, in comparison to the prior year with expenditures of \$194,484 and \$458,480. Management significantly reduced optional spending in the first half of 2020 in an effort to preserve cash. In the second quarter, all employees were working from home due to COVID-19 which has also reduced spending considerably.
- The Company had a foreign exchange loss of \$791,227 for the three months ended June 30, 2020 and a gain of \$193,007 for the first six months of 2020. This is consistent with a foreign exchange loss of \$79,162 for the three months and a gain of \$12,837 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 three and six months ended June 30, 2020, mineral property exploration expenditures have decreased to a credit of \$190,654 and \$521,506 from \$2,164,855 and \$3,08,168 for the three and six months ended June 30, 2019. The Company recorded a credit to exploration expenses in the current quarter related to the recovery of certain input tax credits ("**ITCs**") that had been previously expensed in 2018. This resulted in an overall credit balance for the three months ended June 30, 2020. The overall decrease in exploration expenditure for the first six months of 2020 is due to the temporary suspension of exploration and permitting programs due to the challenges associated with the COVID-19 virus. The Company remains focused on completing its permitting amendments, addressing various legal challenges and continuing certain pre-construction activities at the Back Forty Project.

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.

In thousands of US dollars	For the quarters ended: 30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
Statement of Loss				
Net (gain) loss in fair value of contingent consideration and warrants	$ 134	$ 58	$ (22)	$ (920)
Net expenses	630	1,515	2,467	3,158
Net loss (income)	4,141	761	(2,121)	2,917
Loss (income) per share	0.01	-	(0.01)	0.01

In thousands of US dollars	For the quarters ended: 30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Statement of Loss				
Net (gain) loss in fair value of contingent consideration, and warrants	$ (204)	$ 17	$ (368)	$ (1,348)
Net expenses	4,023	2,899	2,504	3,205
Net loss	3,819	2,915	2,397	2,445
Loss per share	0.01	0.01	0.01	0.01

For each of the eight most recent completed quarters, the financial data was prepared in accordance with IFRS. The quarterly results are unaudited. Sum of all the quarters may not add up to annual or year to date totals due to rounding. The Company adopted IFRS 16, Leases in the annual period beginning January 1, 2019. The Company elected to apply IFRS 16 using a modified retrospective approach and therefore, comparative amounts were not restated. The impact of the adoption of the new standard was not material to the Company's consolidated financial statements.

The variability in quarterly losses is due to the funding of exploration expenses, the irregularity of share based payments expense, the non-cash accretion on the significant financing components of the gold and silver streams, the revaluation of contingent consideration, warrants and debentures and the impact of constantly fluctuating exchange rates in Canadian and US currencies.

With the deposit from the second tranche of the gold stream as well as the funds from the warrant and option exercises, the Company focused on receiving its final permit and finalizing its Feasibility Study resulting in sustained higher expenditures during 2018. Expenditures also reflect increased spending at the Company's Wisconsin projects in 2018. Expenditures during 2019 and the first quarter of 2020 focused on certain pre-construction activities, and finalizing the PEA. Employees continue to work from home during the second quarter of 2020 as a result of COVID-19 shutdown. All unnecessary spend has been deferred in an effort to preserve cash. Expenditures are consistent with the Company's expectations.

The impact of changes in the significant financing component of both the gold and silver streams will have an impact on quarterly losses. As the production profile and timing of payments change, this impacts the value of the significant financing component and as a result, the non-cash accretion. In the current quarter, the gold and silver streams were amended, and the Company adjusted the value of the payments, the timing of their receipt as well as the timing of estimated production. As a result, a charge to accretion expense of $2.6 million was recorded for the second quarter of 2020. For the last two quarters of 2018 and the first three quarters of 2019, an accretion expense was recorded. In the fourth quarter of 2019, the Company adjusted the timing of receipt of payments as well as the timing of estimated production. This resulted in a credit to accretion expense of $2.1 million being recorded.

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, RSU grants and DSU grants.

As such, there is substantial variability on a quarter over quarter basis. Share-based payment expenditures were $87,462, in the current quarter, and ($16,620), $145,656, $105,187, $175,970, $144,481, $249,096, $126,865, and $162,364, in each of the seven prior quarters. In the second quarter of 2019, the Company issued stock options totaling 300,000. No RSUs were issued in 2019 or the first half of 2020. In the first quarter of 2020, the revaluation of the DSUs due to the decrease in stock price resulted in a credit to stock compensation expenses. In the fourth quarter of 2018, the Company issued stock options totaling 2,700,058 and RSUs totaling 757,389 increasing the stock compensation expense. Stock options totaling 500,000 were issued in the third quarter of 2018. DSUs were issued in each quarter of 2018 as well as all of 2019 increasing the stock compensation expense. No stock options, RSUs, and DSUs were issued in 2020.

Revaluation of the Canadian dollar warrants resulted in a loss of $117,990. This is consistent with losses in the fourth quarter of 2019 of $22,311. Gains on revaluation were recognized in the first quarter of 2020 in the amount of $163,054, the first three quarters of 2019 of $444,123, $302,564 and $47,058 and well as gains of $284,027, $1,298,287, in the fourth, and third quarters of 2018. The gain in the first quarter of 2019 was due to the expiry of warrants. The gain in the third quarter of 2018 was due to the exercise and expiry of 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 quarter ended June 30, 2020, the fluctuation in rates continued as the Canadian dollar continued to weaken slightly relative to the US dollar, resulting in a loss of $791,227 for the current quarter. As previously noted, there was an error in the calculation of the foreign exchange for Q1 resulting in an overstatement of the Q1 gain $592,000. This error was corrected in Q2 resulting in an overstatement of the Q2 loss by the same amount. This is consistent with losses in 2019 in both the fourth quarter of $91,833, the second quarter of $79,162 and the last two quarters of 2018 in the amounts of $123,692 and $52,813. This is consistent with gains in the first quarter of 2020 of $984,234, the third quarter of 2019 of $3,023, as well as the first quarter of 2019 of $91,999. The continued volatility is a trend that has continued throughout much of the current and prior fiscal years.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2020, the Company had cash of $3,965,634 compared to cash of $4,010,838 as at December 31, 2019. The Company had working capital of $1,837,869 as at June 30, 2020, compared to working capital of $1,552,279 as at December 31, 2019. Working capital is defined as current assets less current liabilities excluding warrants payable. The increase in working capital is due to funds received under the gold stream agreement as well as funds received from the Canada Revenue Agency on the Company's successful Notice of Objection filings. This increase in funding is offset by expenses for the Back Forty Project PEA, the work related to the Wetlands Permit, litigation costs, pre-construction activities as well as Company overhead.

Details of deficit and working capital (current assets less current liabilities excluding warrants payable) of the Company are as follows:

	June 30, 2020	December 31, 2019
Deficit	**$99,191,338**	$94,289,232
Working capital excluding warrants payable	**1,790,173**	1,552,279

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 an inability to meet the Company's obligations as they become due.

The consolidated financial statements that accompany this MD&A have been prepared on the basis that Aquila is a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations. The Company is in active discussions with existing partners, advisors and outside investors to secure both long-term Project funding, and to secure interim financing to complete pre-construction activities. As part of its funding solution the Company is reviewing certain strategic transactions. There can be no assurance that the Company will be able to execute and close on any funding solution.

In July 2017, Orion sold a royalty portfolio to Osisko which included the Back Forty Project silver stream. On November 10, 2017, the Company completed 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 agreed to commit approximately $65 million to Aquila through a $10 million private placement and a $55 million gold stream.

OBL purchased 49,173,076 units of Aquila at a price of C$ 26 cents per unit for aggregate gross proceeds of $10 million (the **"Strategic Investment"**). Each unit consists of one common share and one-quarter of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company for C$ 34 cents until May 10, 2021. 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 percent of the outstanding common shares. Osisko's nominee was appointed to the board of directors in November 2017. As a result of the Transaction with Orion Mine Finance (and its affiliated funds) ("**Orion**") that was completed in June 2019, Osisko is not currently a shareholder of Aquila and no longer holds the right to nominate individuals to Company's Board of Directors.

On June 18, 2020, the Company announced that it entered definitive agreements with OBL to amend certain terms of the gold purchase agreement dated November 8, 2017 (the "**Gold Stream**") and the amended and restated silver purchase agreement dated September 30, 2016 (the "**Silver Stream**") in order to accelerate Aquila's access to a portion of the outstanding funding under the Gold Stream and to provide additional flexibility.

Under the terms of the amendments, Osisko will immediately advance $2.5 million (excluding transaction costs) of the remaining deposit under the Gold Stream to Aquila. Osisko will advance an additional $7.5

million upon Aquila achieving certain corporate and project development milestones that are expected to be completed over the next 12 to 18 months. Osisko has also agreed to adjust certain milestone dates under the Gold Stream and Silver Stream to align the streams with the current project development timeline.

In exchange for Osisko agreeing to make the payments and milestone date changes described above, the remaining deposit available to Aquila under the Gold Stream will be reduced from $40 million to $35 million, of which $10 million is payable as described above, and the remaining $25 million will be payable pro rata with drawdowns under a senior construction facility for the Company's Back Forty Project. The designated Gold Stream percentage remains unchanged at 18.5% until the delivery of 105,000 gold ounces to Osisko, upon which the stream will be reduced to 9.25%. Osisko will continue to pay 30% of the gold spot price on delivery, subject to a maximum payment of $600/oz. The Silver Stream will be amended to increase the designated silver stream percentage from 75% to 85% of the number of payable silver ounces produced from Back Forty with no change to the ongoing price of $4/oz.

The $15 million received from OBL is shown as deferred revenue on the statement of financial position, net of transaction costs and capital commitment fees. The third tranche of $2.5 million was received in June 2020 and is also shown as deferred revenue on the statement of financial position, net of transaction costs. The remaining $32.5 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 the development of the Back Forty Project.

In the event of a change of control of the Company prior to the advancement of the final $25 million under the Gold 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 11% and 5.5%, respectively. All other terms and conditions of the Gold Stream will remain unchanged.

On June 28, 2019, the Company announced that its two largest shareholders, Orion and Osisko, completed a transaction whereby Orion purchased from Osisko all 49,651,857 common shares of the Company owned by Osisko (the "**Transaction**"). The Transaction was a small component of the share repurchase and secondary offering transaction first announced by Osisko on June 25, 2019. Orion now owns 97,030,609 common shares of Aquila representing approximately 28.7% of the outstanding common shares. Osisko remains a significant financial partner to Aquila as the holder of gold and silver streams on the Company's Back Forty Project.

In 2018, the Company received a re-assessment of certain of its ITCs totaling approximately C$669,000 ($529,000). The Company recorded the amount as an exploration expense on the statement of net loss in 2018. The Company received a second re-assessment of certain of its ITCs related to financing totaling approximately C$181,000 ($141,000). The Company has filed Notices of Objection in relation to these matters as the Company disagrees with Canada Revenue Agency's characterization of these ITCs. In June 2020, the Company received notice from the Appeals Division of the Canada Revenue Agency that the Company's objections were allowed in full. Funds of C$931,508 ($685,124) including interest and penalties were received in June 2020. As the Company has previously recorded the initial amount of C$669,000 ($529,000) as an exploration expense, the Company has recorded a recovery of exploration expenses in the current quarter.

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 in addition to funding through streaming arrangements. 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 the second quarter of 2020, the Company received $2.4 million under the Gold Stream agreement with Osisko, net of transaction costs.
- In the first quarter of 2019, 227,500 options were exercised for cash proceeds of $25,669 (C$34,125).
- In October 2018, the Company received the second tranche of $7.4 million under the Gold Stream with Osisko, net of a $100,000 capital commitment fee.
- In the third quarter of 2018, 682,500 options were exercised for cash proceeds of $82,929 (C$108,375).

The Company is currently in discussion with various parties to provide financing to continue to advance the Back Forty Project.

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

	June 30, 2020		December 31, 2019	
	Number of shares	**$**	Number of shares	$
Balance, beginning of year	**338,473,904**	**75,409,506**	337,974,556	75,322,870
Shares issued on settlement of restricted share units	**82,500**	**-**	271,848	-
Fair value on settlement of restricted share units	**-**	**15,925**	-	39,316
Shares issued on exercise of options	**-**	**-**	227,500	25,669
Fair value on exercise of options	**-**	**-**	-	21,651
Balance, end of period	**338,556,404**	**75,425,431**	338,473,904	75,409,506

Warrants

As at June 30, 2020, there are a total of 12,293,269 warrants priced in Canadian dollars outstanding. For additional information, refer to note 11 of the consolidated financial statements for the three and six months ended June 30, 2020.

AQUILA RESOURCES

Options

As at June 30, 2020, there are a total of 20,829,058 stock options outstanding with a weighted average exercise price of C$ 19 cents. For additional information, refer to note 10(b) of the consolidated financial statements for the three and six months ended June 30, 2020.

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 June 30, 2020, and December 31, 2019, 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 three and six months ended June 30, 2020, director's fees, professional fees and other compensation of directors and key management personnel were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Short-term compensation and benefits	**$ 96,234**	$192,409	**$ 271,269**	$ 186,295
Share-based payments (fair value of stock option benefits and share based payments)	**49,956**	116,828	**107,827**	138,872
	$ 146,190	$309,237	**$ 379,096**	$ 325,167

During the three and six months ended June 30, 2020, the Company had expenditures in the amount of $27,329 (2019 - $23,020) and $56,351 (2019 - $45,669), respectively, for shared office costs paid to a partnership in which one of the Company's directors is an owner..

AQUILA RESOURCES

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 silver streaming arrangement in 2015 with Orion and received $17.25 million to date which was used for the development of the Back Forty Project. Refer to Note 9 of the consolidated financial statements for further details. The Company entered into a gold streaming arrangement in 2017 and has received $17.5 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.

Management exercised judgment in applying IFRS 15, Revenue from Contracts with Customers standards to certain contracts with customers. To determine the transaction price for streaming agreements, the Company made estimates with respect to the interest rate implicit in the agreements to adjust the consideration for the time value of money. Estimates are also made for long-term commodity prices which are used to determine the value of the financing component as well as estimates on when commercial production will occur. These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized.

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 studies, and commercial production.

SIGNIFICANT ACCOUNTING POLICIES

Refer to Note 2 – Accounting Policies in the Company's Consolidated Financial Statements for the year ended December 31, 2019 for further details.

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:			
	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
Working capital				
Current assets	$ 4,294,395	$ 3,049,460	$ 4,629,783	$ 6,831,302
Current liabilities excluding warrants payable	2,504,222	2,471,532	3,077,504	2,931,079
Working capital	$ 1,790,173	$ 577,928	$ 1,552,279	$ 3,900,223

	For the quarters ended:			
	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Working capital				
Current assets	$ 10,162,740	$ 12,533,291	$ 14,944,400	$ 11,100,258
Current liabilities excluding warrants payable	3,147,850	2,318,718	2,825,734	3,111,589
Working capital	$ 7,014,890	$ 10,214,573	$ 12,118,666	$ 7,988,669

C1 cash costs, AISC, and EBITDA are non-IFRS financial measures calculated by the Company as set forth below, and may not be comparable to similar measures reported by other companies.

C1 cash costs, which are intended to measure direct cash costs of producing paid metal, include all direct costs that would generate payable recoveries of metals for sale to customers, including mining of mineralized materials and waste, leaching, processing, refining and transportation costs, on-site administrative costs and royalties, net of by-product credits. C1 cash costs do not include depreciation, depletion, amortization, exploration expenditures, reclamation and remediation costs, sustaining capital, financing costs, income taxes, or corporate general and administrative costs not directly or indirectly related to the Project. C1 cash costs are divided by the number of ounces of gold estimated to be produced for the period to arrive at cash costs per gold ounce produced.

AISC includes C1 cash costs, as defined above, plus exploration costs at the Project and sustaining capital expenditures (including additional tailings storage, permitting and customary improvements to the operations over the life of the project). AISC is divided by the number of ounces of gold estimated to be produced for the period to arrive at AISC per gold ounce produced.

EBITDA is earnings before interest, taxes, depreciation, and amortization.

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's Disclosure Policy, Code of Business Conduct and 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, 2019. The evaluation included documentation review, enquiries and other procedures considered by Management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures was effective as of June 30, 2020.

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 second quarter of 2020 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 June 30, 2020.

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.