AQUILA RESOURCES

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars, unless otherwise stated)
(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2021

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

AQUILA RESOURCES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2021 and December 31, 2020
(Unaudited, expressed in United States Dollars)

	March 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 843,285	$ 1,813,974
Accounts receivable	30,022	13,968
Prepaid expenses	84,383	105,454
	957,690	1,933,396
Non-current assets		
Mineral property costs (Note 5)	24,702,446	24,698,723
Security deposits	26,716	26,716
Capital assets (Note 6)	1,197,810	1,239,096
	25,926,972	25,964,535
TOTAL ASSETS	$ 26,884,662	$ 27,897,931
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,081,168	$ 1,936,618
Reclamation obligation	636,548	636,548
Current portion of leases payable	121,291	118,076
Warrants payable (Note 11 and 13)	21	5,399
	2,839,028	2,696,641
Deferred revenue (Note 7, 8 &9)	38,050,434	37,543,184
Contingent consideration (Note 4)	4,681,013	4,703,460
Long-term portion of leases payable	294,705	322,834
Deferred share unit liability (Note 12)	259,644	278,498
Total liabilities	46,124,824	45,544,617
Shareholders' deficiency		
Share capital (Note 10a)	75,456,660	75,448,945
Contributed surplus (Note 10)	9,477,268	9,441,157
Deficit	(104,174,090)	(102,536,788)
	(19,240,162)	(17,646,686)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$ 26,884,662	$ 27,897,931

The accompanying notes are an integral part of these interim financial statements.

Nature of operations and going concern (Note 1)
Commitments related to project spending (Note 6)

Approved on behalf of the Board
"Andrew W. Dunn, FCPA, FCA" Director *"Barry Hildred"* Executive Director

AQUILA RESOURCES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
For the three months ended March 31, 2021 and 2020
(Unaudited, expressed in United States Dollars, except number of shares)

	Three months ended March 31, 2021	Three months ended March 31, 2020
EXPENSES		
Mineral property exploration expenses (Note 17)	**$ 519,707**	$ 712,160
Administrative expenses (Note 15)	**708,322**	804,227
Loss from operations	**$ 1,228,029**	$ 1,516,387
Other expenses (income)		
Net finance expense (Note 16)	**429,173**	170,598
Loss (gain) on foreign exchange	**61,529**	(984,234)
Loss (gain) on change in value of contingent consideration	**(76,125)**	220,913
Gain on change in value of warrants	**(5,304)**	(163,054)
Total loss and comprehensive loss	**$ 1,637,302**	$ 760,610
Loss per share		
Basic and diluted	**$ 0.00**	$ 0.00
Weighted average number of shares outstanding - basic and diluted	**338,556,404**	338,541,776

The accompanying notes are an integral part of these interim financial statements.

AQUILA RESOURCES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
As at March 31, 2021 and 2020
(Unaudited, expressed in United States Dollars)

	Share Capital Number	Share Capital $	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2019	338,473,904	$ 75,409,506	$ 9,325,832	$ -	$ (94,289,232)	$ (9,553,894)
Shares issued on settlement of RSUs	82,500	-	-	-	-	-
Fair value on settlement of RSUs	-	15,925	(15,925)	-	-	-
Share-based compensation expense	-	-	60,350	-	-	60,350
Net loss for the period	-	-	-	-	(760,610)	(760,610)
Balance, March 31, 2020	338,556,404	$ 75,425,431	$ 9,370,257	$ -	$ (95,049,842)	$ (10,254,154)
Shares issued on settlement of RSUs	82,048	-	-	-	-	-
Fair value on settlement of RSUs	-	10,136	(10,136)	-	-	-
Shares issues on settlement of DSUs	149,417	-	-	-	-	-
Fair value on settlement of DSUs	-	13,378	-	-	-	13,378
Share-based compensation expense	-	-	81,036	-	-	81,036
Net loss for the period	-	-	-	-	(7,486,946)	(7,486,946)
Balance, December 31, 2020	338,787,869	$ 75,448,945	$ 9,441,157	$ -	$ (102,536,788)	$ (17,646,686)
Shares issued on settlement of RSUs	39,963	-	-	-	-	-
Fair value on settlement of RSUs	-	7,715	(7,715)	-	-	-
Share-based compensation expense	-	-	43,826	-	-	43,826
Net loss for the period	-	-	-	-	(1,637,302)	(1,637,302)
Balance, March 31, 2021	**338,827,832**	**$ 75,456,660**	**$ 9,477,268**	**$ -**	**$ (104,174,090)**	**$ (19,240,162)**

The accompanying notes are an integral part of these interim financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS
For the three months ended March 31, 2021 and 2020
(Unaudited, expressed in United States Dollars)

	Three months ended March 31	
	2021	2020
Cash generated from (used in)		
Operating activities		
Net loss for the period	**$ (1,637,302)**	$ (760,610)
Items not affecting cash:		
Gain on change in fair value of warrants	**(5,304)**	(163,054)
Loss (gain) on change in fair value of contingent consideration	**(76,125)**	220,913
Unrealized foreign exchange loss (gain)	**58,925**	(419,970)
Share-based compensation	**22,875**	(16,835)
Non-cash interest on financing component of deferred revenue	**419,845**	171,134
Finance expense (Note 16)	**8,122**	3,029
Amortization	**41,286**	16,620
	$ (1,167,678)	$ (948,773)
Net change in non-cash working capital		
Accounts receivable	**(16,054)**	35,496
Prepaid expenses	**21,071**	37,097
Accounts payable and accrued liabilities	**144,550**	(606,810)
Net cash generated used in operating activities	**$ (1,018,111)**	$ (1,482,990)
Investing activities		
Acquisition of equipment	**-**	(1,096)
Increase in mineral properties	**(3,723)**	(6,723)
Net cash used in investing activities	**$ (3,723)**	$ (7,819)
Financing activities		
Receipt of gold stream, net of costs	**87,405**	-
Repayment of lease liabilities	**(36,927)**	(13,822)
Net cash generated from financing activities	**$ 50,478**	$ (13,822)
Decrease in cash	**(971,356)**	(1,504,631)
Effect of foreign exchange on cash	**667**	(3,099)
Cash, beginning of period	**1,813,974**	4,010,838
Cash, end of period	**$ 843,285**	$ 2,503,108

The accompanying notes are an integral part of these interim financial statements.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

1. Nature of Operations and Going Concern

Aquila Resources Inc. (the "Company" or "Aquila") is in the business of exploring for and developing mineral properties. Substantially all of the Company's efforts are devoted to these activities.

Aquila was incorporated in the Province of Ontario and is listed on the Toronto Stock Exchange under the symbol "AQA". The Company's head office address is 141 Adelaide Street West, Suite 520, Toronto, Ontario, Canada, M5H 3L5.

The Company's primary investment is the Back Forty Joint Venture LLC ("BFJV"). This investment holds a property for which a Feasibility Study was released in August 2018. In July 2012 HudBay Minerals Inc. ("HudBay"), which had the controlling interest in the BFJV, suspended its exploration and evaluation activities at the Back Forty Project. In November 2013, Aquila signed a definitive agreement with HudBay to take control and 100% ownership of the BFJV. These transactions were completed in January 2014.

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Company to raise financing, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

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

	March 31, 2021	December 31, 2020
Deficit	**$104,174,090**	$ 102,536,788
Working capital excluding warrants payable	**(1,881,317)**	(757,846)

The Company has no operating cash flow from a producing mine and therefore must utilize its current cash reserves, income from short term investments and deposits, and other financing transactions to maintain its capacity to meet working capital requirements and planned corporate expenditures, as well as to fund the development of Back Forty and other exploration activities. The Company currently has negative working capital as shown above. It is not possible to predict whether adequate financing will be available in the future on acceptable terms. Although the Company has been successful in the past to obtain financing, there can be no assurances that the steps management is taking, and will continue to take, will be successful in future reporting periods or that such financing will be on terms advantageous to the Company. 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 its obligations as they fall due.

These unaudited condensed interim consolidated financial statements ("the interim financial statements") have been prepared on the basis that Aquila is a going concern in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis. 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. In addition, the Company has taken steps to organize financing for the Company in the short term and have plans for funding options through the development phase of the mine. However, there can be no assurance over the ability to execute on such financing transactions.

2. Accounting Policies

Statement of Compliance

These interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 6, 2021.

Basis of Preparation and Presentation

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as noted below in Significant Accounting Policies.

In the preparation of these interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. The significant estimates and assumptions are consistent with these disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2020 except for deferred share units (Note 12), warrants (Note 13) and contingent consideration (Note 4) where estimates have been updated to reflect current market conditions.

Basis of Consolidation

These interim financial statements include the accounts of the Company and all of its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain variable benefits from its power over the entity's activities.

Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition of control up to the effective date of disposal or loss of control. The Company's principal subsidiaries are: Aquila Resources USA Inc. and Aquila Michigan Inc. (previously known as HudBay Michigan Inc.), which are based in Michigan USA. All inter-company balances and transactions have been eliminated.

These interim financial statements are expressed in United States Dollars, except those amounts denoted C$ which are in Canadian Dollars. The United States dollar is the functional and reporting currency of the Company and its subsidiaries' operations. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at exchange rates in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at the rate at the time of the transaction. Any resulting gain or loss is recorded in the consolidated statement of loss and comprehensive loss.

3. Critical Accounting Estimates and Judgments

Areas of judgment that have the most significant effect on the amounts recognized in the interim financial statements are disclosed in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2020. There have been no significant changes to the areas of estimation and judgement during the three months ended March 31, 2021.

4. Contingent Consideration

On December 30, 2013, the shareholders approved the acquisition of 100% of the shares of HudBay Michigan Inc. ("HMI"), a subsidiary of HudBay Minerals Inc. ("HudBay"), effectively giving Aquila 100% ownership in the Back Forty Project (the "HMI Acquisition"). Pursuant to the HMI Acquisition, HudBay's 51% interest in the Back Forty Project was acquired in consideration for the issuance of common shares of Aquila, future milestone payments tied to the development of the Back Forty Project and a 1% net smelter return royalty on production from certain land parcels in the project.

The contingent consideration is composed of the following:

a) Fair value of future instalments is based on C$9 million tied to development of the Back Forty project as follows:

   (i) C$3 million payable on completion of any form of financing for purposes including the commencement of construction of Back Forty (up to 50% of the C$3 million can be paid, at Aquila's option in Aquila shares with the balance payable in cash);

   (ii) C$2 million payable in cash 90 days after the commencement of commercial production;

   (iii) C$2 million payable in cash 270 days after the commencement of commercial production, and;

   (iv) C$2 million payable in cash 540 days after the commencement of commercial production.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

For the three months ended March 31, 2021, a time value of money calculation was utilized to value the contingent consideration. Each milestone payment was assessed separately. Key risks including permitting, feasibility study, commercial production and timing were each assigned a probability weighting based on the likelihood of occurrence. U.S. Department of the Treasury bond yields ranging from 0.12% to 1.16% were used as the risk-free rate. The milestone payments are estimated to commence in 2022 with commercial production starting in 2025. When performing a sensitivity analysis, a 10% change in each of the probabilities, will impact the fair value of the contingent consideration by an estimated $1,247,200 to $1,426,600. If another key assumption, being the commencement of the milestone payments and the commencement of production, were pushed by one year to 2023 and 2026, respectively, the combined impact on fair value would increase by an estimated $40,000.

The fair value of the contingent consideration is as follows:

Fair value at December 31, 2019	$4,393,889
Increase in value of contingent consideration	208,300
Change due to foreign exchange	101,271
Fair value at December 31, 2020	4,703,460
Decrease in value of contingent consideration	(76,125)
Change due to foreign exchange	53,678
Fair value at March 31, 2021	$4,681,013

(Unaudited, expressed in United States Dollars, unless otherwise stated)

5. Mineral Property Costs

Total accumulated deferred mineral property costs are detailed as follows:

Year ended December 31, 2020	Balance, beginning of year	Additions	Balance, end of year
Back Forty Project	$ 24,114,551	$ 6,000	$ 24,120,551
Reef Gold Project	457,276	70,896	528,172
Bend Gold Project	50,000	-	50,000
	$ 24,621,827	**$ 76,896**	**$ 24,698,723**

Period ended March 31, 2021	**Balance, beginning of year**	**Additions**	**Balance, end of period**
Back Forty Project	$ 24,120,551	$ -	$ 24,120,551
Reef Gold Project	528,172	3,723	531,895
Bend Gold Project	50,000	-	50,000
	$ 24,698,723	**$ 3,723**	**$ 24,702,446**

Back Forty Project

The Back Forty Project (the "Project") controls 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% - 7% state royalty, which under state law can be renegotiated, at the option of Aquila.

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 heard the Wetlands Permit contested case. Rebuttal testimony was completed in October 2019 and briefings closed at the end of January 2020. In January 2021, the Judge issued a decision denying the prior issuance of the Back Forty Wetlands Permit. In his decision, the Judge determined that Aquila's groundwater model does not provide a reliable identification of wetland impacts and therefore found the permit application to be administratively incomplete. The Judge also determined that Aquila did not provide a complete assessment of potential alternatives to its proposed plan. Aquila has appealed the Judge's decision to the Department of Environment, Great Lakes, and Energy ("EGLE") environmental review Panel.

In November 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. In December 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. In February 2020, an administrative contested case challenge to the Mining Permit amendments was filed. While the Wetlands Permit appeal is in progress, the Company requested, and has been granted, a stay of proceedings of the contested case related to the amended Mining Permit.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

Estimated lease, option and property acquisition costs related to the Back Forty Project for 2021 to 2025, for which the Company is materially liable, are as follows:

Year	Amount
2021	$ 36,000
2022	202,676
2023	206,710
2024	206,710
2025	206,710

Reef Gold Project

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. These agreements 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.

Estimated lease and/or option costs related to the Reef Project for 2021 to 2025, which are at the Company's option, are as follows:

Year	Amount
2021	$1,272,194
2022	880,457
2023	150,073
2024	9,723
2025	9,723

(Unaudited, expressed in United States Dollars, unless otherwise stated)

Bend

In May 2019, Aquila entered into a long-term mineral lease agreement with a party that owns the mineral rights on a portion of the Bend deposit.

Estimated lease and/or option costs related to Bend for 2021 to 2025, which are at the Company's option, are as follows:

Year	Amount
2021	$ -
2022	25,000
2023	25,000
2024	25,000
2025	25,000

6. Capital Assets

Cost	Land	Buildings	Furniture and Fixtures	Total
Balance December 31, 2020	$ 378,880	$ 1,025,880	$ 339,459	$ 1,744,219
Balance, March 31, 2021	**$ 378,880**	**$ 1,025,880**	**$ 339,459**	**$ 1,744,219**

Accumulated Depreciation	Land	Buildings	Furniture and Fixtures	Total
Balance, December 31, 2019	$ -	$ 290,709	$ 214,414	$ 505,123
Charge	-	34,858	6,428	41,286
Balance, March 31, 2021	**$ -**	**$ 325,567**	**$ 220,842**	**$ 546,409**

Net book value, December 31, 2020	$ 378,880	$ 735,171	$ 125,045	$ 1,239,096
Net book value, March 31, 2021	**$ 378,880**	**$ 700,313**	**$ 118,617**	**$ 1,197,810**

(Unaudited, expressed in United States Dollars, unless otherwise stated)

7. Deferred Revenue

As at March 31, 2021, a breakdown of the deferred revenue is as follows:

Balance at December 31, 2019	$31,725,873
Gold stream receipt, net of costs	$ 2,370,948
Adjustment to notional non-cash interest on silver stream	1,608,499
Adjustment to notional non-cash interest on gold stream	1,837,864
Balance at December 31, 2020	37,543,184
Gold stream receipt, net of costs	87,405
Adjustment to notional non-cash interest on silver stream	147,415
Adjustment to notional non-cash interest on gold stream	272,430
Balance at March 31, 2021	**$38,050,434**

Under IFRS 15, the stream arrangements are considered to have significant financing components on which an implied interest rate is accrued and added to deferred revenue, to be amortized once the stream begins to be paid down. Under these rules, the Company reports a notional non-cash interest expense each quarter based on the implied interest rate at the time that the stream arrangement is consummated, and a corresponding amount is added to deferred revenue. This interest accrual is not a contractual obligation but is intended to allocate the cost of the stream financing over the period it is outstanding. This accrual is a non-cash item and is shown as such on the statement of cash flows. Upon commencement of production, deferred revenue including the accrued interest will be brought into revenue over the life of mine.

These adjustments to the non-cash interest are made on a quarterly basis. The significant financing component is adjusted for timing in receipt of payments and timing for estimated production as well as changes in the long-term commodity price estimates. In the current quarter, no adjustments were made. Adjustments will continue to take place as the Company continues to refine its production plans and the timing of receipt of payments is known.

8. Osisko Financing and Streaming Agreement

In November 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 $55 million to Aquila through a gold stream purchase agreement. In June 2020, the Company amended its agreement with OBL, reducing the deposit owing from $40 million to $35 million, adjusting payment milestones as well as adjusting certain milestone dates under the gold stream and silver stream to align the streams with the current project development timeline.

On March 11, 2021, Aquila announced that it entered into definitive agreements (the "2021 Stream Agreement Amendments") with OBL to amend certain terms of the Gold Stream and Silver Stream in order to provide additional flexibility. Under the terms of the 2021 Stream Agreement Amendments, OBL agreed to adjust certain milestone dates under the Gold Stream and the Silver Stream to align the streams with the current project development timeline. OBL immediately advanced $100,000 of the remaining deposit under the Gold Stream to the Company with an additional $2.4 million to follow upon Aquila completing an equity financing. A subsequent deposit of $5 million is expected to be received following the completion of the optimized Feasibility Study and the successful resolution of the permitting process with respect to permits required for the development or operation of the Back Forty Project. The final deposit of $25 million continues to be payable pro rata with drawdowns under a senior construction facility for the Back Forty Project.

The Company agreed to eliminate the change of control provision, which previously allowed an acquiror of control over the Back Forty Project the option to forgo the final payment of $25 million and reduce the Stream Percentage and Tail Percentage to 11% and 5.5%, respectively.

a) Gold Stream

Concurrent with the Strategic Investment, the parties have also entered into a Gold Purchase Agreement (the “Stream Agreement”), whereby OBL will provide the Company with staged payments totaling $50 million, payable as follows:

- $7.5 million was received on closing of the Stream Agreement;
- $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: These funds were received in October 2018;
- $2.5 million was received on closing of the Stream Amendments in June 2020;
- $0.1 million was advanced on closing of the Stream Amendments in March 2021;
- $2.4 million upon the Company securing funding of $6 million;
- $5 million upon the completion of the optimized Feasibility Study and the successful resolution of the permitting process with respect to permits required for the development or operation of the Back Forty Project; and
- $25 million upon the first drawdown of an appropriate project debt finance facility.

The $17.6 million received from OBL is shown as deferred revenue on the statement of financial position, net of transaction costs and capital commitment fees. The remaining $32.4 million is payable in three instalments 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 “Stream Percentage”) until the Company has delivered 105,000 ounces of gold (the “Production Threshold”). Upon satisfaction of the Production Threshold, the Stream Percentage will be reduced to 9.25% of the refined gold (the “Tail Percentage”). In exchange for the refined gold delivered under the Stream Agreement, 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.

The initial term of the agreement is for 40 years, automatically renewable for the successive 10 year periods.

The agreement is subject to certain operating and financial covenants, which are in good standing as of March 31, 2021.

b) Transaction costs

Transactions costs for this transaction have been offset against the deferred revenue balance.

9. Orion Financing and Streaming Agreement

In March 2015, the Company closed a financing transaction with Orion that included an equity private placement and a silver purchase agreement for total cash payments of $20.75 million. In July 2017, Orion sold a royalty portfolio to Osisko Gold Royalties Ltd. which included the Company's Back Forty silver stream. In June 2020, the Company amended certain terms of its silver stream agreement with Osisko, specifically increasing the percentage of silver purchased under the stream from 75% to 85%.

a) Equity Private Placement

In connection with the private placement completed in March 2015, Orion 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, Orion received the right to nominate one individual to the board of directors of Aquila for 24 months and thereafter for such time as Orion owns at least 10 per cent of the outstanding common shares. At March 31, 2021, Orion held 28.6% of the common shares of the Company (December 31, 2020 – 28.6%).

b) Silver Stream

Under the terms of the amended silver purchase agreement, Osisko has agreed to purchase up to 85 per cent of the total silver produced from the Back Forty project at $4 per ounce. A total of $17.25 million has been advanced and is shown as deferred revenue on the Statement of Financial Position as at March 31, 2021. An additional $653,692 was added to the value of the deferred revenue on the partial exercise of the Orion warrants. In 2016, the silver purchase agreement was amended to reduce the deposit owing by $639,000. Where the market price of silver is greater than $4, the difference realized from the sale of the silver will be applied against any deposit received from Osisko.

The initial term of the agreement is for 40 years, automatically renewable for the successive 10 year periods.

The agreement is subject to certain operating and financial covenants, which are in good standing as of March 31, 2021.

10. Share Capital

a) Authorized

Unlimited number of common shares.

Issued and outstanding:

(Unaudited, expressed in United States Dollars, unless otherwise stated)

	Number of Shares	Total
Balance, December 31, 2019	338,473,904	$ 75,409,506
Shares issued on exercise of RSUs (i)	82,500	-
Fair value transferred on exercise of RSUs (i)	-	15,925
Balance, March 31, 2020	**338,556,404**	**$ 75,425,431**

	Number of Shares	Total
Balance, December 31, 2020	338,787,869	$ 75,448,945
Shares issued on exercise of RSUs (i)	39,963	-
Fair value transferred on exercise of RSUs (i)	-	7,715
Balance, March 31, 2021	**$ 338,827,832**	**$ 75,456,660**

i) During the three months ended March 31, 2021, 82,500 restricted share unit options were exercised, each exchangeable for one common share. On the settlement date, one common share will be issued for each RSU, after deducting any income taxes payable on the benefit earned by the employee that must be remitted by the Company to the tax authorities. A total of 39,963 shares were issued after income taxes were paid. The relative fair value assigned to the restricted share units on issuance of C$9,991 ($7,715) was transferred from contributed surplus to share capital.

b) Stock-option plan and share-based compensation:

The Company maintains an Equity Incentive Plan (the "Plan") for the benefit of directors, officers, employees, consultants and other service providers of the Company and its subsidiaries in order to assist the Company in attracting, retaining, and motivating such persons by providing them with the opportunity, through stock options to acquire an increased interest in the Company. Under the Plan, options may be granted for a term not exceeding ten years. The number of common shares reserved for issue under the Plan will not exceed 10% of the number of then outstanding common shares nor may the number of common shares reserved for issuance to insiders must not exceed 10% of the then outstanding common shares. The exercise price of an option may not be lower than the closing price of the common shares on the TSX, subject to applicable discounts, on the business day immediately before the date the option is granted. The options are non-transferable and non-assignable.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

A summary of the Company's stock option, and changes during the period ended March 31, 2021 are presented below:

	Number of Stock Options	Weighted Average Exercise Price
Balance - January 1, 2020	21,679,058	$ 0.19
Expired	(50,000)	0.23
Balance, March 31, 2020	**21,629,058**	**$ 0.19**

	Number of Stock Options	Weighted Average Exercise Price
Balance, January 1, 2021 and March 31, 2021	**20,409,243**	**$ 0.18**

As at March 31, 2021, common share stock options held by directors, officers, employees and consultants are as follows:

Expiry Date	Number of Options Outstanding	Number of Options Vested	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
January 16, 2022	6,200,000 *	6,200,000	C$ 0.15	0.79
April 6, 2023	3,100,000	3,100,000	0.19	2.02
June 25, 2023	1,400,000	1,400,000	0.19	2.24
January 11, 2024	1,500,000	1,500,000	0.19	2.78
February 8, 2024	740,000	740,000	0.15	2.86
February 10, 2025	2,179,000	2,179,000	0.265	3.86
September 17, 2025	350,000	350,000	0.25	4.46
January 11, 2026	910,000	910,000	0.25	4.78
November 13, 2026	354,167	354,167	0.13	5.62
December 17, 2026	1,973,116	1,735,616	0.16	5.71
June 24, 2027	300,000	150,000	0.20	6.23
November 17, 2028	1,402,960	1,065,460	0.13	7.63
	20,409,243	19,684,243	$ 0.18	2.98

* Issued under plan of arrangement.

c) Restricted share unit plan:

The Company introduced maintains a restricted share unit plan (“the RSU plan”) for the benefit of officers and employees of the Company and its subsidiaries in order to assist the Company in attracting, retaining, and motivating such persons by providing them with the opportunity, through restricted share units to acquire an increased interest in the Company. Under the RSU plan, units are granted at the discretion of the Board of Directors who have the authority to determine the vesting terms. On the settlement date, each RSU is redeemable for one common share of the Company or subject to the approval of the plan administrator, a cash payment. It is the intention of the Board of Directors to settle all RSUs in common shares. The number of common shares reserved for issue under the Plan cannot exceed 10% of the number of then outstanding common shares nor may the number of common shares reserved for issuance to insiders exceed 10% of the then outstanding common shares.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

	Number of Restricted Share Units	Fair Value on Issuance
Balance - January 1, 2020	6,065,181	C$ 0.21
Equity settled	(82,500)	0.25
Balance, March 31, 2020	**5,982,681**	**C$ 0.21**

	Number of Restricted Share Units	Fair Value on Issuance
Balance - January 1, 2021	5,609,530	$ 0.20
Equity settled	(82,500)	0.25
Balance, March 31, 2021	**5,527,030**	**$ 0.20**

11. Warrants

The movements in the number of outstanding share purchase warrants for the period ended March 31, 2021 are as follows:

	2021		2020	
		Weighted average exercise price		Weighted average exercise price
Balance, January 1	**12,293,269**	**C$ 0.34**	30,302,131	C$ 0.32
Expired	**-**	**-**	(18,008,862)	0.30
Balance, March 31,	**12,293,269**	**C$ 0.34**	12,293,269	C$ 0.34

(Unaudited, expressed in United States Dollars, unless otherwise stated)

The exercise price, expiry date, and warrants issued and outstanding as at March 31, 2021 are as follows:

Number of warrants outstanding	Exercise Price	Expiry Date	Weighted average life (yrs)
12,293,269	0.34	May 10, 2021	0.11
12,293,269	**$ 0.34**		**0.11**

12. Deferred Share Units Liability

The Company maintains a deferred share unit plan ("the DSU plan") for the benefit of directors and officers of the Company and its subsidiaries in order to assist the Company in attracting, retaining, and motivating such persons by providing them with the opportunity, through restricted share units to acquire an increased interest in the Company. Under the DSU plan, units are granted at the discretion of board of directors who have the authority to determine the vesting terms. Directors can elect to receive up to 100% of their compensation in DSUs. On the settlement date, each DSU is redeemable for one common share of the Company. The number of common shares reserved for issue under the Plan cannot exceed 10% of the number of then outstanding common shares nor may the number of common shares reserved for issuance to insiders exceed 10% of the then outstanding common shares.

During the period ended March 31, 2021, 512,500 units were issued to directors in lieu of receiving director fees in cash. A charge of $41,138 was recorded to share based compensation with the offset recorded as DSU liability.

	Number of Deferred Share Units	Fair Value on Issuance
Balance - January 1, 2020	2,076,238	$ 271,744
Change due to foreign exchange		(77,267)
Change due to revaluation		(18,852)
Balance, March 31, 2020	**2,076,238**	**$ 175,625**

	Number of Deferred Share Units	Fair Value on Issuance
Balance - January 1, 2021	2,727,643	$ 278,498
Granted	512,500	41,138
Change due to foreign exchange		2,097
Change due to revaluation		(62,089)
Balance, March 31, 2021	**3,240,143**	**$ 259,644**

13. Derivative Liabilities

During the period ended March 31, 2021, no equity offerings were completed whereby any warrants or broker warrants were issued with exercise prices denominated in Canadian dollars (December 31, 2020 – no warrants were issued 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. Broker warrants are accounted as equity. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in net earnings. The warrant derivative liability is classified as level 2 in the fair value hierarchy. As of March 31, 2021, the Company had 12,293,269 (December 31, 2020 – 30,302,101) warrants outstanding which are classified and accounted for as a financial liability. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of the Canadian dollar denominated warrants. See note 11 for further information.

At March 31,	**2021**	2020
Risk free interest rate	**0.23%**	0.46%
Expected life	**0.11 years**	1.11 years
Price volatility	**102%**	79%
Share price (C$)	**0.10**	0.12
Dividend yield	**Nil**	Nil

Black-Scholes pricing models require the input of highly subjective assumptions. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant.

14. Related Party Transactions

In accordance with IAS 24, 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 nomination, compensation and governance committee of the Board of Directors. During the period ended March 31, 2021, director's fees, professional fees and other compensation of directors and key management personnel were as follows:

For the three months ended March 31,	**2021**	**2020**
Short-term compensation and benefits	**$ 96,894**	$ 175,035
Share-based payments (fair value of stock option benefits and share based payments)	**54,665**	57,871
	$ 151,559	$ 232,906

(Unaudited, expressed in United States Dollars, unless otherwise stated)

During the period ended March 31, 2021, the Company had expenditures in the amount of $28,204 (March 31, 2020 - $29,022) for shared office costs paid to a partnership in which one of the Company's directors is an owner.

15. Administrative Expenses

For the three months ended March 31,	**2021**	2020
Salaries and benefits	**$ 296,611**	$ 588,355
Professional fees	**157,677**	29,607
Office, general and administration	**46,918**	99,945
Management and consulting fees	**49,433**	-
Filing and regulatory fees	**48,811**	36,818
Amortization	**41,286**	16,620
Rent	**28,204**	29,022
Share-based compensation	**22,875**	(16,835)
Travel and promotion	**16,507**	20,695
Total administrative expenses	**$ 708,322**	$ 804,227

16. Finance Charges

For the three months ended March 31,	**2021**	2020
Adjustment to interest on financing component of deferred revenue (Note 7)	**$ 419,845**	$ 171,134
Interest on lease obligations	**8,122**	3,029
Interest expense (income)	**1,206**	(3,565)
Total finance charges	**$ 429,173**	$ 170,598

17. Financial Risk Management

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks are: credit risk, liquidity risk and market risk. The Company's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Company's financial performance.

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the annual consolidated financial statements as at December 31, 2019. There have been no changes in the risk management or in any risk management policies since year end, except as noted below:

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. The Company took certain measures including temporary layoffs, temporary salary reductions and temporarily suspending all permitting activities in an effort to conserve funds.

Since the outbreak of COVID-19 in March 2020, the Company has focused its efforts to safeguard the health and well-being of its employees, consultants and community members to ensure their safety during the global COVID-19 pandemic. To help slow the spread of COVID-19, the Company’s employees are working remotely, abiding by local and national guidance in place in Canada and the United States related to social distancing and restrictions on travel outside of the home.

During this time, the Company has progressed with the preparation of the Dam Safety Permit application without significant delays despite the impact of COVID-19. However, given the highly uncertain and evolving nature of the global environment caused by the outbreak of COVID-19, the Company is not able to reliably estimate the duration and severity of this pandemic including the potential impact it may have on the review and approval process of the Dam Safety Permit and any other impacts on the Company’s operating and financial results.

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 and the United States. Such further developments could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.