AQUILA RESOURCES

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE QUARTER ENDED MARCH 31, 2021

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AQUILA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2021

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 May 6, 2021 and reviews the business of Aquila Resources Inc. (the "**Company**" or "**Aquila**") for the three months ended March 31, 2021 and should be read in conjunction with the consolidated financial statements and related notes for the three months ended March 31, 2021. This MD&A and the accompanying consolidated financial statements and related notes for the three months ended March 31, 2021, 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, Technical Advisor to Aquila. 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.

FIRST QUARTER HIGHLIGHTS

- As at March 31, 2021, Aquila had cash of $0.8 million and negative working capital of $1.8 million. This compared to cash of $1.8 million and negative working capital of $0.8 million at December 31, 2020. The decrease in working capital is primarily due to permitting and legal activities at its Back Forty Project. The Company is focused on securing financing in the near-term.
- On February 1, 2021, the Company appointed Guy Le Bel as President & CEO of Aquila. Barry Hildred transitioned to the role of Executive Chair of the Board of Directors and Ted Munden, outgoing Chair of the Board of Directors, was appointed to the position of Lead Director. Mr. Le Bel brings more than 35 years of experience in business and project development, strategic and financial planning, and permitting in the Americas to Aquila.
- In March 2021, Aquila announced that it entered into definitive agreements (the "**2021 Stream Agreement Amendments**") with a subsidiary of Osisko Gold Royalties Ltd ("**OGR**") 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, OGR agreed to adjust certain milestone dates under the Gold Stream and the Silver Stream to align the streams with the current project development timeline.
- In March 2021, Aquila engaged Osisko Technical Services ("**OTS**") to lead an optimized feasibility study (the "**Feasibility Study**") for the Back Forty Project. OTS' technical team has a proven track record of project execution. Aquila will leverage the team's combined engineering, permitting, construction and operating expertise to unlock value and advance the Back Forty Project through its next phase of development.
- In January 2021, an administrative law judge for the Michigan Office of Administrative Hearings and Rules (the "**Administrative Law Judge**") issued a decision denying the prior issuance of the Back Forty Wetlands Permit, which had been previously issued by the Michigan Department of Environment, Great Lakes, and Energy ("**EGLE**"). Aquila has appealed the Administrative Law Judge's decision to EGLE's environmental review panel (the "**Panel**").
- In January 2021, the Michigan Public Service Commission issued a decision rejecting Alger Delta Power Cooperative's objections to Upper Michigan Energy Resources Corporation's (UMERC) filing of its Notice of Intent to Serve the Back Forty Mine. That decision was reaffirmed by the Commission in its April order addressing Alger Delta's motion for reconsideration. The Company believes this decision paves the way for Aquila to choose whichever electrical service provider it deems best for the Back Forty Project.
- On March 24, 2021, the Company announced that it filed a preliminary short form prospectus in connection with a marketed equity offering (the "**Offering**"). On March 25, 2021, the Company announced that, in light of current market conditions, it determined not to proceed with the Offering. Aquila is working with its advisors to consider and evaluate various strategic alternatives to maximize shareholder value, including looking to realize value from its Wisconsin properties.

POST QUARTER HIGHLIGHTS

- On April 28, 2021, the Michigan State Senate unanimously approved resolution *SR0016: A resolution to express support for mining and the mining industry and encourage the Governor, state agencies, local governments, members of the public, and labor organizations to support mining by taking certain actions* (the "**Resolution**"). The Resolution passed with bipartisan support.

- On April 23, 2021, a judge for the Ingham County Circuit Court in the State of Michigan ("**Circuit Court Judge**") granted a motion to reconsider in connection with the original Back Forty Mining Permit. By granting the motion, the Circuit Court Judge is allowing the Administrative Law Judge, who is currently overseeing the contested case related to the amended Mining Permit, the opportunity to consider certain testimony from the Wetland Permit case. In December 2020, the same Circuit Court Judge upheld the final decision of EGLE to issue the original Back Forty Mining Permit. The recent decision by the Circuit Court Judge does not reverse the earlier decision or otherwise deny the Mining Permit. Aquila believes that the decision by the Circuit Court Judge does not have a material impact on the Back Forty Project or Aquila's permitting strategy or timelines, nor does it say anything about Michigan's hospitability to mining generally and the Back Forty Project in particular.

OUTLOOK

- The Company will continue to advance its Back Forty Project in Michigan, where the main objectives are completing the optimized Feasibility Study and securing the remaining permits required for construction and operations. The Feasibility Study will incorporate both the open pit and underground mine plans and will reflect Aquila's commitment to sustainability and responsible mining employing industry best practices.
- The Company will continue to undertake technical studies to support the optimized Feasibility Study that will seek to evaluate areas of opportunity. These include opportunities to:
    - Simplify the process flowsheet and increase gold recoveries in light of improved metal prices; and
    - Optimize the mine plan to enhance economics, reduce environmental impact, and improve the Project configuration and strip ratio.
- A key objective of the optimized Feasibility Study is to incorporate feedback from EGLE and the local community since the original permits were issued. By incorporating the underground mine plan and modifying the Project footprint, the Company expects to demonstrate substantially reduced surface impact, including wetland impacts, and a longer mine life for the benefit of all stakeholders.
- The Company will continue to work with EGLE to finalize the Back Forty groundwater model. Aquila is pleased with the significant progress made in this regard and has now completed the gathering of required site-specific data.
- Following the completion of the Feasibility Study, Aquila will seek to permit the optimized Project design.
- The Company will continue its efforts to secure additional financing and, in parallel, will evaluate various strategic alternatives to maximize shareholder value.

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. then SVP Capital Projects of Aquila with support from Neil Lincoln, P.Eng. of Lincoln Metallurgical Inc. The Company filed the PEA Technical Report ("**Technical Report**") on SEDAR at www.sedar.com on September 16, 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.

Highlights of the PEA include:

- 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.

- After-tax NPV of $316.3 million at a 6% discount rate (approximately CA$422 million) with 37.8% IRR at spot prices as of August 4, 2020 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.

Mineral Resource Estimate

The Mineral Resource Estimate is set out in Table 1 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 1
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.

Current Project Activities

- The Company has engaged Osisko Technical Services to lead the optimized Feasibility Study. The Feasibility Study will incorporate both the open pit and underground mine plans.
- The Company will continue to undertake technical studies to support the optimized Feasibility Study that will seek to evaluate areas of opportunity. These include opportunities to:
    - Simplify the process flowsheet and increase gold recoveries in light of improved metal prices; and
    - Optimize the mine plan to enhance economics, reduce environmental impact, and improve the Project configuration and strip ratio.

- 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 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 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.

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 2018 open pit 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 in connection with the Wetlands Permit, will be required before it can process the Company's application.

The Company expects to submit for new permit applications following the completion of the optimized Feasibility Study.

The Company has applied to renew its NPDES Permit and expects its application to be processed in 2021.

Legal Challenges

The Company has made significant progress defending its permits.

- Mining Permit (in progress)
    - 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.
    - The Administrative Law 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 Administrative Law 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 Administrative Law Judge in support of the Mining Permit. The Panel's ruling represents EGLE's final decision.
    - The Tribe appealed this final decision to the state circuit court. In December 2020, a judge for the Ingham County Circuit Court in the State of Michigan ("**Circuit Court Judge**") upheld the final decision of EGLE to issue the Back Forty Mining Permit.
    - On April 23, 2021, the same Circuit Court Judge granted a motion to reconsider in connection with the Mining Permit. By granting the motion, the Circuit Court Judge is allowing the Administrative Law Judge, who is currently overseeing the contested case related to the amended Mining Permit, the opportunity to consider certain testimony from the Wetland Permit case. This decision by the Circuit Court Judge does not reverse the earlier decision or otherwise deny the Mining Permit. Aquila believes that the decision by the Circuit Court Judge does not have a material impact on the Back Forty Project or Aquila's permitting strategy or timelines, nor does it say anything about Michigan's hospitability to mining generally and the Back Forty Project in particular.

- Amended Mining Permit (in progress)
    - In February 2020, the Petitioners filed administrative contested case challenges to the Mining Permit amendments. 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.

- 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 Administrative Law Judge that ruled on the Mining Permit contested case heard the Wetlands Permit contested case. Rebuttal testimony was completed on October 25, 2019 and briefings closed at the end of January 2020.
    - In January 2021, the Administrative Law Judge issued a decision denying the prior issuance of the Back Forty Wetlands Permit. In his decision, the Administrative Law 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 Administrative Law Judge also determined that Aquila did not provide a complete assessment of potential alternatives to its proposed plan. As such, even though Aquila has been working with EGLE to satisfy permit conditions requiring further data collection and groundwater modeling to validate previous conclusions regarding indirect impacts, the Administrative Law Judge found that the statute required Aquila to provide all of the information before a permit could be issued. Notably, the Company believes that there is nothing in the decision that would prevent Aquila from obtaining a Wetlands Permit for the same or a similar mine plan. Aquila has appealed the Administrative Law Judge's decision to the EGLE environmental review Panel.

- <u>Federal litigation related to the Wetlands Permit (resolved)</u>
    - 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. 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.

<u>Exploration Expenses</u>

During the three months ended March 31, 2021, the Company incurred project exploration expenditures of $516,272 (March 31, 2020 - $708,815). Acquisition costs incurred on the Back Forty Project for the three months ended March 31, 2021, were $nil (March 31, 2020 – $1,000). 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
2021	$ 36,000
2022	202,676
2023	206,710
2024	206,710
2025	206,710

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 (455,000 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 three months ended March 31, 2021, the Company incurred exploration expenditures of $3,435(March 31, 2020 – $3,345). Acquisition costs incurred on the Reef Gold Project for the three months ended March 31, 2021, was $3,723 (March 31, 2020 - $5,723). 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
2021	$1,272,194
2022	880,457
2023	150,073
2024	9,723
2025	9,723

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 3.0 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 1.2 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, the Company completed 5,800 meters of drilling, expanding and further defining base and precious metal mineralization.

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 three months ended March 31, 2021, the Company incurred exploration expenditures of $nil (2020 – $nil). Acquisition costs incurred on the Bend Project for the three months ended March 31, 2021, was $nil (2020 - $nil). 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
2021	$ -
2022	25,000
2023	25,000
2024	25,000
2025	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 months ended March 31, 2021:

In US dollars	Three months ended March 31, 2021	2020
Mineral property exploration expenses	**$ 519,707**	$ 712,160
Administrative expenses	**708,322**	804,227
Net finance charges	**429,173**	170,598
Loss from operations	**$ 1,657,202**	$ 1,686,985
(Gain) loss on foreign exchange	**61,529**	(984,234)
Loss (gain) on change in value of contingent consideration	**(76,125)**	220,913
Gain on change in fair value of warrant liability	**(5,304)**	(163,054)
Net and comprehensive loss for the period	**$ 1,637,302**	$ 760,610
Net loss per share - basic and diluted	**-**	-

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 months ended March 31, 2021, continues to have an impact on the comparability of expenditures on a period over period basis. For the three months ended March 31, 2021, administrative expenses were $708,322, compared to $804,227 for the same period last year. The decrease in expenditures is a result of management deferring discretionary spending as well as the impact of COVID-19. Significant components and changes in this expense include:

- Salaries and benefits have decreased to $296,611 for the three months ended March 31, 2021, compared to expenditures of $588,355, in the prior year primarily due to a decreased headcount. This decrease is offset by an increase in management and consulting fees of $49,433. Temporary management and employee salary reductions were also put into effect in Q1 2021. 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 $22,875 for the three months ended March 31, 2021. This is in comparison to a credit of $16,835 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 $157,677 for the three months ended March 31, 2021, compared to $29,607, in the same period last year. The increase to legal fees is due to corporate development

activities in the first quarter of 2021. 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 months ended March 31, 2021, with expenditures of $16,507, compared to $20,695 for the same period in the prior year. The restrictions in place due to COVID-19 decreased travel and promotion costs in the first quarter of 2021.
- Office and administrative costs were $46,918 for the three months ended March 31, 2021, in comparison to the prior year with expenditures of $99,945. Management significantly reduced discretionary spending an effort to preserve cash. All employees were working from home due to COVID-19 in the first quarter of 2021 which has also reduced spending considerably.
- The Company had a foreign exchange loss of $61,529 for the three months ended March 31, 2021. This is consistent with a foreign exchange gain of $984,234 for the year 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 months ended March 31, 2021, mineral property exploration expenditures have decreased to $519,707 from $712,160 for the three months ended March 31, 2020. The overall decrease in exploration expenditure during 2021 is due to the reduction of exploration and permitting programs due to the challenges associated with the COVID-19 virus in addition to the deferral of all non-essential spending. The Company is focused on advancing the permitting process, addressing various legal challenges and commencing the optimized Feasibility Study for 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.

	For the quarters ended:			
In thousands of US dollars	**31-Mar-21**	**31-Dec-20**	**30-Sep-20**	**30-Jun-20**
Statement of Loss				
Net (gain) loss in fair value of contingent consideration and warrants	$ (81)	$ (138)	$ (81)	$ 134
Net expenses	1,208	1,272	1,284	630
Net loss (income)	1,637	1,689	1,656	4,141
Loss (income) per share	-	-	-	0.01

	For the quarters ended:			
In thousands of US dollars	**31-Mar-20**	**31-Dec-19**	**30-Sep-19**	**30-Jun-19**
Statement of Loss				
Net (gain) loss in fair value of contingent consideration, and warrants	$ 58	$ (22)	$ (920)	$ (204)
Net expenses	1,515	2,467	3,158	4,023
Net loss	761	(2,121)	2,917	3,819
Loss per share	-	(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 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.

Expenditures during 2019 and the first quarter of 2020 focused on certain pre-construction activities and finalizing the PEA. Employees continued to work from home during the first quarter of 2021 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, a charge to accretion expense in the amount of $419,845 was recorded. In the prior quarter, the Company adjusted the timing of the receipt of payments under the Gold Stream resulting in a charge to accretion expense of $402,626. In the second quarter of 2020, the Gold Stream and Silver Stream 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 second and third 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 $4.7 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 $22,875, in the current quarter, and $1,135, $83,586, $87,642, ($16,620), $145,656, $105,187 and $175,970 in each of the seven prior quarters. No stock options or RSUs were issued in the current quarter. DSUs totaling 512,500 were issued in the period ended March 31, 2021. In the second quarter of 2019, the Company issued stock options totaling 300,000. No RSUs were issued in 2019. DSUs were issued in each quarter of 2019 as well as the fourth quarter of 2020 increasing the stock compensation expense. In the fourth quarter of 2020, 1,402,960 options, 635,307 RSUs, and 981,410 DSUs were issued.

Revaluation of the Canadian dollar warrants resulted in a gain of $5,304. This is in comparison to losses in the second quarter of 2020 of $117,990 and the fourth quarter of 2019 of $22,311. Gains on revaluation were also recognized in the third and fourth quarter of 2020 of $88,000 and $103,309, respectively, the first quarter of 2020 in the amount of $163,054 and the second and third quarters of 2019 of $302,564 and $444,123. The gain in the first quarter of 2019 was due to the 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 three months ended March 31, 2021, the fluctuation in rates continued as the Canadian dollar continued to weaken slightly relative to the US dollar, resulting in a loss of $61,529 for the current quarter. This is consistent with losses of $267,587 in Q4 2020 and $51,227 in Q3 2020. As previously noted, there was an error in the calculation of the foreign exchange for Q1 2020 resulting in an overstatement of the Q1 2020 gain of $592,000. This error was corrected in Q2 resulting in an overstatement of the Q2 loss by the same amount resulting in a loss of $791,227. This is consistent with losses in 2019 in both the fourth quarter of $91,833 and the second quarter of $79,162. This is in comparison to gains in the first quarter of 2020 of $984,234 and the third quarter of 2019 of $3,023. The continued volatility is a trend that has continued throughout much of the current and prior fiscal years.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2021, the Company had cash of $843,285 compared to cash of $1,813,974 as at December 31, 2020. The Company had negative working capital of $1,881,317 as at March 31, 2021, compared to negative working capital of $757,846 as at December 31, 2020. Working capital is defined as current assets less current liabilities excluding warrants payable. The decrease in working capital is due expenses for the Back Forty Project PEA, the work related to the Wetlands Permit, litigation costs, pre-construction activities as well as Company overhead. This is offset by funds received under the Gold Stream.

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)

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 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.

On June 18, 2020, the Company announced that it entered definitive agreements with OGR 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, OGR immediately advanced $2.5 million (excluding transaction costs) of the remaining deposit under the Gold Stream to Aquila. OGR 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. OGR 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 OGR agreeing to make the payments and milestone date changes described above, the remaining deposit available to Aquila under the Gold Stream was 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 Silver Stream was 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.

On March 11, 2021, Aquila announced that it entered into definitive agreements (the "**2021 Stream Agreement Amendments**") with OGR 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, OGR agreed to adjust certain milestone dates under the Gold Stream and the Silver Stream to align the streams with the current project development timeline. OGR 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 Threshold Stream Percentage and Tail Percentage remain unchanged. OGR will continue to pay 30% of the gold spot price on delivery, subject to a maximum payment of $600/oz. 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.

The $17.6 million received from OGR 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 $32.4 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. OGR 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 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 second quarter of 2020.

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. In order to continue to advance the Back Forty Project and to explore its properties in Wisconsin, the Company will require additional funding beyond the future milestone payments under the Gold Stream. 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 first quarter of 2021, the Company received $0.1 million under the Gold Stream agreement with OGR, net of transaction costs.
- In the second quarter of 2020, the Company received $2.4 million under the Gold Stream agreement with OGR, net of transaction costs.

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:

	March 31, 2021		December 31, 2020	
	Number of shares	**$**	Number of shares	$
Balance, beginning of year	**338,787,869**	**75,448,945**	338,473,904	75,409,506
Shares issued on settlement of restricted share units	**39,963**	**-**	164,548	-
Fair value on settlement of restricted share units	**-**	**7,715**	-	26,061
Shares issued on settlement of deferred share units	**-**	**-**	149,417	-
Fair value on settlement of deferred share units	**-**	**-**	-	13,378
Balance, end of period	**338,827,832**	**75,456,660**	338,787,869	75,448,945

Warrants

As at March 31, 2021, there are a total of 12,293,269 warrants priced in Canadian dollars outstanding. For additional information, refer to note 11 of the condensed interim consolidated financial statements for the three months ended March 31, 2021.

Options

As at March 31, 2021, there are a total of 20,409,243 stock options outstanding with a weighted average exercise price of C$ 18 cents. For additional information, refer to note 10(b) of the condensed interim consolidated financial statements for the three months ended March 31, 2021.

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 March 31, 2021, and December 31, 2020, 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 months 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

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

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 condensed interim consolidated financial statements for further details. The Company entered into a gold streaming arrangement in 2017 and has received $17.6 million to date which is being used for the development of the Back Forty Project. Refer to note 8 of the condensed interim 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, 2020 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:			
	31-Mar-21	**31-Dec-20**	**30-Sep-20**	**30-Jun-20**
Working capital				
Current assets	$ 957,690	$ 1,933,396	$ 2,997,592	$ 4,294,395
Current liabilities excluding warrants payable	2,839,007	2,691,242	2,357,840	2,504,222
Working capital	($1,881,317)	($757,846)	$ 639,752	$ 1,790,173

	For the quarters ended:			
	31-Mar-20	**31-Dec-19**	**30-Sep-19**	**30-Jun-19**
Working capital				
Current assets	$ 3,049,460	$ 4,629,783	$ 6,831,302	$ 10,162,740
Current liabilities excluding warrants payable	2,471,532	3,077,504	2,931,079	3,147,850
Working capital	$ 577,928	$ 1,552,279	$ 3,900,223	$ 7,014,890

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, 2020. 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 March 31, 2021.

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 first quarter of 2021 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 March 31, 2021.

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.