Aquila Resources Inc.

AQUILA RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2015

*The following management discussion and analysis ("**MD&A**") of financial results is dated May 13, 2015 and reviews the business of Aquila Resources Inc. (the "Company" or "Aquila") for the three months ended March 31, 2015, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2015, as well as the audited annual consolidated financial statement for the year ended December 31, 2014 and related MD&A This MD&A and the accompanying unaudited condensed consolidated interim financial statements and related notes for the three months ended March 31, 2015 have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.*

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, that 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. All amounts herein are stated in US $ unless indicated otherwise.

2015 First Quarter Highlights

- On March 31, 2015, the Company closed a multi-level financing transaction initially reported on January 27, 2015 with Orion Mine Finance ("Orion Financing"). The transaction included a private placement and a silver stream for total funding of $20.75-million (U.S.). Summary highlights of the Orion Financing include:
- Aquila issued 26,923,077 units ("Unit Financing") at a price of US$0.13 per shares for gross proceeds of US$3.5 million, with each unit consisting of one common share and one-half warrant. Each whole warrant allows the holder to purchase one common share at a price of US$0.19 per share for a term of three years;
- Orion will acquire 75 per cent of Aquila's life-of-mine silver production from Back Forty for gross proceeds of $17.25-million (U.S.), subject to a drawdown schedule that is set out in the definitive agreement as follows;
    - $6.5 million on March 31, 2015,
    - $1.35 million for the final property payment due August 4, 2015,
    - $3.0 million upon the submission of an administratively complete mining permit,
    - $4.0 million upon a completion of the process design including a definitive flow sheet, with respect to the open pit portion of the Back Forty Project,
    - $2.4 million on completion of feasibility study, and
    - All of the deposits are expected to be received by the company by the end of 2016.

Concurrent with the transaction, Aquila repurchased the existing royalties with the Back Forty project from Vale Exploration USA Inc. for cash consideration of US$4.0 million, and from HudBay Minerals Inc. for US$1.0 million in cash plus US$225,000 of the Unit Financing (as described above) which is equivalent to 1,730,769 units, with each unit comprising one share and one-half of one warrant.

Outlook

- The Cash balance as at March 31, 2015 totaled $4,778,912.
- As a result of the closing of the Orion Financing, the Company is now ramping up permitting activity on its Back Forty project and is targeting to submit the permit application to the Michigan Department of Environmental Quality by the end of the current year. Subsequent to quarter end, the Company entered into a services agreement with Foth Infrastructure and Environment, LLC in Green Bay to assist the Company with its planned permit submission.
- In addition to the permitting activity, the Company is planning to commence a Feasibility study on the Back Forty project by the end of 2015. Subsequent to quarter end, the Company had engaged certain consultants to provide various services related to the planning of this Feasibility study. The Company hopes to complete this study in the latter half of 2016.
- The Company is also planning a small exploration program. A number of geophysical anomalies have been identified peripheral to the known mineralization at Back Forty, and detailed ground geophysics and up to a thousand metres of diamond drilling are planned to test these high priority targets. The Company is currently finalizing exploration plans and is now expecting to complete this program in 2015.

1. Company Overview and Going Concern

Aquila Resources Inc. was originally 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", on the Frankfurter Wertpapierbörse under the symbol "JM4A", and on the American OTC Pink Sheets under the symbol "AQARF". 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 Company filed a new preliminary economic assessment ("**PEA**") on September 8, 2014. This new 2014 PEA includes the NI 43-101 compliant resource estimate for the Back Forty Project that was announced February 18, 2013.

The new 2014 PEA incorporates a revised mine plan, results from Aquila's 2013 resource update and the result of various trade-off studies which looked at different mine configurations to determine the optimal scenario for the project. The base case scenario indicates a pre-tax net present value ("**NPV**") of $282.2 million, using a discount rate of 6%, with an internal rate of return ("**IRR**") of 38.8%. Furthermore the PEA describes an alternative low initial capital starter pit option that focuses on mining near-surface, high-grade zones by way of three small open pits in order to maximize capital return in the early years of production.

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 Risks and Uncertainties and Liquidity and Capital Resources sections for additional information.

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

2. ACQUISITION TRANSACTIONS

On November 7, 2013 the Company announced the following transactions which were subsequently completed on January 16, 2014. The transactions have been reflected as of December 30, 2013, the date on which the shareholders of Aquila and REBgold Corporation ("REBgold") approved the transactions.

- a statutory plan of arrangement pursuant to which the Company acquired all of the outstanding shares of REBgold in exchange for shares of the Company on a 1-for-1 basis (the "**Arrangement**");
- the non-brokered private placement of REBgold shares for gross proceeds of approximately CDN$4.85 million (the "**REBgold Financing**"). Pursuant to the REBgold Financing, Baker Steel Capital Managers LLP, on behalf of investment funds managed or controlled by it ("**Baker Steel**"), REBgold's larger shareholder, invested CDN$4.5 million of such gross proceeds. Proceeds from the REBgold Financing will be used for general working capital and to fund the next phase of development activity at Back Forty; and
- 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.

(collectively, the "Acquisition Transactions")

The Acquisition Transactions closed on January 16, 2014. Pursuant to the REBgold Financing, REBgold issued a total of 37,300,385 shares at a price of CDN$0.13 cents per share for gross proceeds of approximately CDN$4.85-million. All shares issued pursuant to the REBgold Financing were immediately exchanged for Aquila shares on a one-for-one basis in accordance with the terms of the Arrangement. In connection with the issuance of 2,285,000 REBgold shares for gross proceeds of CDN$297,050 as part of the REBgold Financing, REBgold paid broker compensation consisting of: (i) a cash commission equal to 7% of the gross proceeds related to such subscriptions; and (ii) non-transferable broker warrants to purchase a total of CDN$159,950 REBgold shares (representing 7% of the REBgold shares related to such subscriptions) at a price of CDN$0.15 per share for two years from the closing of the REBgold Financing. As a result of completion of the Arrangement, each broker warrant became exercisable for one Aquila share at a price of CDN$0.15 cents per share.

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Immediately prior to completion of the Arrangement and related transactions, there were 64,825,568 REBgold shares outstanding (including shares issued pursuant to the REBgold Financing). All of these shares were exchanged for Aquila shares pursuant to the Arrangement on a one-for-one basis.

In connection with HMI Acquisition, Aquila issued 18,650,193 shares to HudBay in satisfaction of the portion of the purchase price for HMI that was payable at closing.

Post closing capital structure and effective date of transaction

Upon completion of the Arrangement, REBgold became a wholly-owned subsidiary of Aquila. REBgold Shares were delisted from the TSXV following completion of the Arrangement and REBgold ceased being a reporting issuer.

Immediately following completion of the Arrangement, the REBgold Financing and the HMI Acquisition, there were 183,160,901 Aquila shares outstanding together with outstanding stock options, convertible debentures and warrants that will collectively be exercisable for up to approximately 27.6 million Aquila shares.

As a result of Aquila being able to exercise defacto control as of December 30th, 2013, management had determined that HMI and REBgold should be consolidated from this date onwards, as it represented the date on which the acquirer has gained control of the acquirees. In addition, Baker Steel had provided a letter of commitment on the financing by this date, ensuring one of the key conditions on the transaction was in place. While approval had not yet been received from the courts until January 7, 2014, the remaining authorization was considered administrative in nature, as all other major precedents conditional to the transaction occurring had been completed. Accordingly, the transactions have been reflected as of December 30th, 2013. As the shares were not legally issued until after year-end, they were reflected as shares to be issued as at December 31, 2013.

Transaction compensation costs included bonus and settlements of outstanding payable amounts through the issue of shares and disbursement of cash, as well as the issue of stock options to directors, consultants and officers for both REBgold and Aquila. These costs totaled $1,270,701 of which $284,000 was disbursed through cash.

Upon completion of the transaction, HudBay owned 18.3 % and Baker Steel owned 24.8% of the total outstanding common shares of the Company.

Accounting Treatment of the Back Forty Project

During 2012, the Company transferred its interest in the Back Forty Project to a limited liability company, BFJV. In consideration of the transfers of their respective property interests, the Company and HudBay took back a 49% and 51% interest, respectively, in BFJV. The Company accounted for the transaction as a transfer between mineral properties and investments at its carrying value in 2012. The Company had significant influence over BFJV and accounted for the investment using the equity method.

The Mineral property costs accumulated by the Company on the Back Forty Project up to the time it acquired the 49% interest in BFJV on March 9, 2012 amounted to $9,294,235, and that amount was reflected as the Company's Investment in BFJV. From that point forward, the initial investment amount was adjusted based on the Company's share of the income or losses reported by BFJV.

On December 30, 2013 the Company effectively controlled 100% of the Back Forty Project and changed the classification of the investment to mineral property as a result of completing the HMI Acquisition.

As a result of Aquila being able to exercise control as of December 30th, 2013, management determined that HMI and REBgold should be consolidated from this date onwards, as it represents the date on which the acquirer has gained control of the acquirees. In addition, Baker Steel had provided a letter of commitment on the financing by this date, ensuring one of the key conditions on the transaction was in place. While final approval had not yet been received from the courts until January 7, 2014, the remaining authorization was considered administrative in nature, as all other major precedents conditional to the transaction occurring had been completed. Accordingly, the transactions have been reflected as of December 30th, 2013. As the shares were not legally issued until after year-end, they have been reflected as shares to be issued.

3. OVERVIEW OF PROJECTS

A. Active Projects

Back Forty Project

The Back Forty Project is an advanced exploration stage volcanogenic massive sulfide (VMS) deposit containing gold, zinc, lead, silver and copper, 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, poly-metallic project, which contains approximately 1 million ounces of gold and 1 billion pounds of zinc in the M&I categories, with additional upside potential. The Back Forty Project is directly owned by the Back Forty Joint Venture LLC ("**BFJV**") which controls approximately 4,095 gross acres of surface and mineral rights which are owned or held under lease or option by BFJV. Some lands are subject to net smelter royalties varying from 1% to 3.5%, with certain lands subject to a 2% to 7% royalty, which includes state royalties, which under state law can be renegotiated.

Upon the completion of the HMI Acquisition (see Acquisition Transactions), Aquila owns 100% of the BFJV through its 49% direct interest in BFJV and the 51% interest held through HMI. Upon the completion of the HMI Acquisition the operating agreement with HudBay (the "Operating Agreement"), certain key terms of which are described below, no longer apply.

Previous Operating Agreement with HudBay

On August 6, 2009, the Company signed a subscription, option and joint venture agreement with HudBay (the "Subscription, Option and Joint Venture Agreement"). Under the terms of the Subscription, Option and Joint Venture Agreement (and the follow-on Operating Agreement, as described below), the following events occurred and came into effect:

i. As of August 31, 2010 HudBay earned a 51% interest in the Back Forty Project by exceeding $10 million in aggregate expenditures on the Back Forty Project over a 3 year period.
ii. Pursuant to the Subscription, Option and Joint Venture Agreement, on March 9, 2012 HudBay and the Company transferred their interests in the Back Forty Project to BFJV, a limited liability company. BFJV was owned 49% by the Company, and 51% indirectly by HudBay through its wholly owned subsidiary HMI. The affairs of BFJV were governed by the Operating Agreement entered into by the Company and HudBay, the terms of which mirrored the original Subscription, Option and Joint Venture Agreement.

Pursuant to the Operating Agreement, while HudBay was the operator of the Back Forty Project, it was responsible for all decisions including budget allocations for exploration and development. HudBay and Aquila were each responsible for their share of annual property holding costs, for which the Company would be subject to dilution should it choose not to participate. If HudBay completed a feasibility study and submitted permitting applications by August 2013, its interest in the Back Forty Project would have increased to 65%. If HudBay did not complete the feasibility study and submitted permitting applications by August 12, 2013, then Aquila had the right to acquire HudBay's 51% interest in the BFJV by reimbursing HudBay an amount equal to 50% of the costs expended by HudBay on the Back Forty Project since August 6, 2009. The Operating Agreement provided HudBay with the right to sell its interest in the BFJV, subject to the Company's right of first refusal.

New Preliminary Economic Assessments

The Company filed a new PEA on September 8, 2014. This PEA updates the initial NI 43-101 compliant PEA of the Back Forty Project that was completed in 2012 and includes the NI 43-101 compliant resource estimate for the Back Forty Project that was announced on February 18, 2013.

The new PEA, which incorporates a revised mine plan and results from Aquila's 2013 resource update, was completed by Tetra Tech Inc. after considering various trade-off studies which looked at different mine and concentrator configurations to determine the optimal scenario for the project.

Highlights from the new PEA include:

- The PEA contemplates mining 16.1Mt of mineralized material over the 16-year LOM, of which 12.5Mt is open-pit and 3.6Mt is underground. The PEA demonstrates the potential for a diverse earnings stream with a payable metal value mix of 41.2% gold, 40.5% zinc, 12.0% copper, 5.7% silver, and 0.6% lead;
- The base case scenario indicates a pre-tax NPV of $282.2 million, using a discount rate of 6%, with an IRR of 38.8%. The base case scenario reports an after-tax NPV of $210.8 million, using a discount of 6%, with an IRR of 32.0%;
- Operating at an initial throughput rate of 5,350 tpd, the total payable production of the mine is expected to be 532 thousand ounces of gold, 704 million pounds of zinc, 63 million pounds of copper, 4,645 thousand ounces of silver, and 11 million pounds of lead; A total estimated initial capital cost of $261 million comprised of $177 million of direct pre-production capital expenditure ("**CAPEX**"), a $44 million contingency, and $40 million of indirect and owner's costs;
- The average on-site operating costs are $29.25 per tonne processed for open-pit mining and $66.20 per tonne processed for the underground mine; and
- An alternate mine plan, which considers a low-CAPEX ($100.8m), high-grade initial phase operation, was evaluated in the PEA and provides some flexibility in the development of the project. This option would focus on mining near-surface, high-grade zones by way of three small open pits in order to maximize capital return in the early years of production. This approach has the potential to provide attractive economic returns, mitigate certain start-up risks, and allow for significant optionality in the long-term development of the project. Following the five-year initial phase operation, Aquila could commence a second phase operation which would consider an expanded pit and / or inclusion of the underground resource. This opportunity would be fully evaluated during the feasibility stage of project development and could be pursued depending on future macro-economic conditions. The resulting pre-tax NPV at 6% is $129.4m and IRR 38.6% for the stand-alone initial phase operation.

Sensitivity Analysis

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

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

Qualified Persons
The PEA was prepared under the supervision of Tetra Tech Inc., specifically Rex Bryan, SME; Wenchang Ni, P.Eng.; Daniel Sweeney, P.Eng.; Arun Vathavooran, Ph.D., C.Eng., MIMMM, SME; Dharshan Kesavanathan, P.Eng.; Mike McLaughlin, P.Eng.; Sabry Abdel Hafez, P.Eng.; and, Andrew Carter, Eur. Ing., C.Eng., MIMMM, MSAIMM, SME. All of the aforementioned individuals are qualified persons as defined in National Instrument 43-101. The scientific and technical information in this news release was reviewed and approved by Thomas O. Quigley, Vice President of Exploration and Senior Technical Advisor for the Back Forty Project. By virtue of his education, experience, and professional association, Mr. Quigley is considered a Qualified Person as defined under National Instrument 43-101. Information regarding data verification is provided in Aquila's annual information form dated March 31, 2014.

Project Potential

The optimized mine plan provides some flexibility in the development of the project including a low-CAPEX, high-grade initial phase operation. This option would focus on mining near-surface, high-grade zones by way of three small open pits in order to maximize capital return in the early years of production. This approach has the potential to provide attractive economic returns, mitigate certain start-up risks, and allow for significant optionality in the long-term development of the project. This opportunity would be fully evaluated during the feasibility stage of project development and could be pursued depending on future macro-economic conditions.

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

2013- Resource Estimate Update

A NI 43-101 compliant resource estimate used for the 2014 PEA for the Back Forty Project, was announced on February 18, 2013. The result of the updated mineral resource estimate for the Back Forty Project was as follows:

AQUILA RESOURCES INC. BACK FORTY RESOURCE ESTIMATEB February 2, 2013

Open Pit†								Contained Metals				
Category	Tonnes	Au (ppm)	Ag (ppm)	Cu (%)	Pb (%)	Zn (%)	NSR ($/tonne)	Au (oz)	Ag (oz)	Cu (lbs)	Pb (lbs)	Zn (lbs)
Meas.	4,720,716	2.24	26.77	0.55	0.13	3.49	141.88	340,142	4,062,741	57,393,561	12,988,245	363,225,517
Ind.	4,926,783	1.9	18.3	0.14	0.21	1.49	92.41	300,521	2,899,139	14,875,002	23,236,294	162,317,020
Meas. + Ind.	9,647,498	2.07	22.45	0.34	0.17	2.47	116.62	640,663	6,961,880	72,268,562	36,224,539	525,542,537
Inf.	152,488	2.76	34.56	0.19	0.39	2.86	143.31	13,534	169,456	623,620	1,302,241	9,625,371

Underground‡								Au	Ag	Cu	Pb	Zn
Category	Tonnes	Au (ppm)	Ag (ppm)	Cu (%)	Pb (%)	Zn (%)	NSR ($/tonne)	(oz)	(oz)	(lbs)	(lbs)	(lbs)
Meas.	1,982,087	1.97	28.56	0.29	0.31	5.04	141.22	125,365	1,819,853	12,542,412	13,568,164	220,076,983
Ind.	3,504,462	1.96	27.78	0.33	0.32	3.57	117.79	221,208	3,130,080	25,615,715	24,505,659	276,053,878
Meas. + Ind.	5,486,549	1.97	28.06	0.32	0.32	4.1	126.27	346,572	4,949,933	38,158,127	38,073,823	496,130,862
Inf.	2,184,246	2.03	25.96	0.37	0.33	2.15	101.89	142,351	1,823,307	18,026,223	15,903,291	103,702,673

Global Resource								Au	Ag	Cu	Pb	Zn
Category	Tonnes	Au (ppm)	Ag (ppm)	Cu (%)	Pb (%)	Zn (%)	NSR ($/tonne)	(oz)	(oz)	(lbs)	(lbs)	(lbs)
Meas.	6,702,803	2.16	27.3	0.47	0.18	3.95	141.68	465,507	5,882,594	69,935,973	26,556,409	583,302,501
Ind.	8,431,244	1.92	22.24	0.22	0.26	2.36	102.96	521,729	6,029,219	40,490,717	47,741,953	438,370,899
Meas. + Ind.	15,134,047	2.03	24.48	0.33	0.22	3.06	120.11	987,236	11,911,813	110,426,690	74,298,362	1,021,673,399
Inf.	2,336,734	2.07	26.53	0.36	0.33	2.2	104.6	155,885	1,992,763	18,649,843	17,205,532	113,328,043

**Mineral resources are not mineral reserves and do not have demonstrated economic viability. Net smelter return ("NSR") cut-off values were based on metal price assumptions of US$0.96 per pound zinc, US$3.65 per pound copper, US$1.01 per pound lead, US$1456.36 per troy ounce gold and US$27.78 per troy ounce silver. Metallurgical recoveries were determined and applied for each of the metallurgical domains determined for the deposit.*

† Cut off values were determined for each of the metallurgical domains contained in the optimized open pit were based on NSR values. Average cut-off value for the open pit resource contained within an optimized pit shell was US$27.75. "See Mineral Resource Estimate Disclosure."

‡ Cut off values were determined for each of the metallurgical domains based on NSR values. Average cut-off value for the underground resources outside of the optimized pit shell was US$66.45. See "Mineral Resource Estimate Disclosure."

The technical contents of Resource Estimate update has been reviewed and approved by Thomas O. Quigley, the Vice President, Exploration of the Company, a "qualified person" as such term is defined in National Instrument 43-101 ("NI 43-101")

The updated resource was compiled by Tetra Tech of Golden Colorado with input by Aquila's technical team, and incorporated the results of an additional 78 drill holes from the previously calculated resource prepared in 2010. In addition to incorporating recent drilling, the updated resource includes a new geological model of the deposit with increased detail on the geologic boundaries of the Back Forty deposit from both a geological and geo-metallurgical standpoint.

The updated mineral resource expanded on and incorporated parameters derived from the April 26, 2012 PEA that utilized the 2010 mineral resource. The 2012 PEA contemplated mining 7,536,000 tonnes of mineral resources from an open pit. The updated open pit mineral resource consisted of 9,647,498 tonnes of measured and indicated resources utilizing a NSR cut off averaging US$27.75 per tonne. The updated resource also quantified mineralization outside of the open pit shell utilizing an underground NSR cut off averaging US$66.45 per tonne.

Mineral Resource Estimate Disclosure:

- **Ordinary Kriging Estimation:** Ordinary kriging (OK) by Datamine® was used to estimate the Back Forty resources. The estimate was constrained to be within interpreted geologic domain wireframes. Specific gravity was assigned to lithologic zones by regression equations using sulfur and iron content. Gold, silver, lead and zinc values were capped at levels based on interpreted composite statistics and cumulative frequency plots. Variography was used to define anisotropy of mineralization and search parameters within each lithologic zone. Mineral classification of measured, indicated and inferred was defined by a strategy of three kriging passes using increasing search ranges.
- Mineralization offering reasonable prospects for economic extraction by open pit were determined using the Lerchs-Grossman optimizing algorithm which evaluates the profitability of each resource block based on its NSR value. Optimization parameters were based on cost parameters derived in the April PEA as well as updated metallurgical recoveries and updated metal prices. Metal grades were estimated using an ordinary kriging estimator for each mineral domain.
- Block model grade estimates were validated by comparison with nearest neighbor and inverse distance squared methodologies and visual comparison of composites and drill hole data with resource block data.
- **Open Pit Cut Off:** Cut off values based on metallurgical type for the open pit mineral resources were US$25 for flotation and US$39 for hydrometallurgical or leaching. Average cut off values for the open pit mineral resources were US$27.75.
- **Outside of Pit (Underground) Cutoff:** Cut off values based on metallurgical type for the underground mineral resources were US$65.50 for the flotation and US$79.50 for the hydrometallurgical type. Average cut off values for an underground mining scenario were US$66.45.
- **Net Smelter Return Estimation:** The Back Forty is a poly-metallic deposit with each metal contributing to the value of the mineralization. The mineral resources are therefore reported by utilizing a calculated net smelter return ("**NSR**"). The NSR calculations were based on the metal grades and metallurgical type designation. Key inputs for the NSR estimation include metal prices, metallurgical parameters (process recovery and product specification by metallurgical type) and concentrate and doré terms (which took into account cost estimates including smelter terms, refining costs, penalties, transportation, insurance, and marketing).
- NSR values for the 2013 resource were calculated in a similar manner as they were in the PEA dated April 26, 2012. Notable changes in the NSR calculation include updated metal prices utilizing a three year trailing average, and updated metallurgical recoveries and concentrate/doré specs. The NSR Value takes into consideration values from lead as opposed to copper in two mineral domains (Tuff Zone massive sulfide and associated stringer zone) as well as value from

copper in a mineral domain where only gold and silver were previously considered (Pinwheel Gossan).

- **Updated Metallurgical Recoveries:** Metallurgical recoveries were estimated for a total of 13 metallurgical domains. Six of these domains reflect sulfide-rich flotation ores and seven represent sulfur-poor, gold-silver leach ores. The estimated recoveries were developed utilizing both past and recent metallurgical testing and reflect the best estimate of recovered metals for each individual and discrete metallurgical domain. These recoveries do not take into account 'blending' certain metallurgical zones in an open pit mining scenario. However, the detailed metallurgical domaining of the deposit and associated recoveries allows for development of a more selective mining plan with respect to both open pit and underground mining scenarios.
- **Resource Disclosure:** Because the updated mineral resource estimate does not constitute a material change, a 43-101 technical report will not be completed. Additional details about the updated resource will be available on the Company's website. Mineral resources for the deposit were classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves by Rex Bryan, Ph.D., an appropriate independent qualified person for the purpose of National Instrument 43-101.

Expenditures 2015

The Company has continued with its development plans, post Acquisition Transactions, which include the initiatives discussed below that started in the first quarter of 2014. The extent of these initiatives were dependent on the ability of the Company to raise the required capital financing.

The new PEA filed on September 8, 2014, incorporates a revised mine plan and results from the Company's 2013 resource update, was completed by Tetra Tech Inc. after considering various trade-off studies which looked at different mine configurations to determine the optimal scenario for the project.

A number of geophysical anomalies have been identified peripheral to the known mineralization at Back Forty, and detailed ground geophysics and up to a thousand metres of diamond drilling are planned to test these high priority targets. This small exploration program is planned for 2015 subject to available financing, including the Orion Financing.

The Company is also planning to ramp-up activities related to its permit application for Back Forty with the Michigan Department of Environmental Quality. The Company will continue to use the services of Foth Infrastructure and Environment, LLC based in Green Bay, WI. The level of activities is subject to the extent of available financing, including the Orion Financing.

During the three months ended March 31, 2015 the Company incurred project exploration and administrative expenditures of $66,315 (2014 - $189,993). Acquisition costs incurred on the Back Forty Project for the three months ended March 31, 2015 were $4,242,094 (2014 - $36,321). Estimated lease, option and property acquisition costs related to the Back Forty Project for 2015 to 2017, for which the Company is materially liable throughout the duration of the agreement, are as follows:

Year	Amount
2015	$1,585,383
2016	$320,718
2017	$148,053

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 Noranda in the 1970's and 1980's. The Reef Gold project hosts a high grade (412,410 tonnes @ 10.6 g/t gold) historical, non NI 43-101 compliant, resource *(1)* which is ope*n* in all directions and in the view of management has potential for expansion.

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

Since acquiring the Reef Gold Project Aquila has completed 42 diamond drill holes at Reef 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 a VTEM survey over the Reef Property.

During the three months ended March 31, 2015 the Company incurred exploration expenditures of $Nil 2014 – $Nil). Acquisition costs incurred on the Reef Gold Project for the three months ended March 31, 2015 was $Nil (2014 - $17,802). Ongoing lease or option costs related to the Reef Project for 2015 to 2017, which are at the Company's option, are as follows:

Year	Amount
2015	$419,381
2016	$39,531
2017	$39,531

Future exploration for 2015 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 (a Former Exploration Alliance property*, now 100% owned by the Company)

The Bend Project is located 35 miles southeast of the former producing Flambeau mine and occurs within the Penokean Volcanic Belt. The Penokean Belt is one of the most prolific VMS belts globally and hosts a number of significant deposits, including Aquila's Back Forty Project. The Bend deposit contains a historical, non NI 43-101 compliant, resource estimate *(1)*) of 2.7 million tonnes grading 2.4% copper, 1.4 g/t gold and 13.7 g/t silver, and remains open down dip and down plunge. In addition, a separate gold zone containing 1.12 million tonnes of 4.7 g/t gold and 0.31% copper was delineated in historic, non NI 43-101 compliant, technical reports *(1)* and remains open in all directions. The Company believes the historical results to be relevant.

On October 15, 2010, the Company signed an Exploration Alliance agreement with HudBay. Under the agreement HudBay funded exploration conducted by the Company (as Project Operator) in Michigan and other designated areas. On July 3, 2012 HudBay notified the Company of its intent to terminate the

Exploration Alliance agreement, which resulted in 100% of the interest in the Bend project reverting back to Aquila.

During the three months ended March 31, 2015 the Company incurred exploration expenditures of $NIL (2013 – $Nil). Future exploration of the property is dependent on the availability of funding.

Note (1:) 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.

B. Suspended Projects

Finland - Kiimala and Rantasalmi Project

In July 2011, the REBgold (a wholly owned subsidiary of the Company) entered into a definitive Shareholders' Agreement with Belvedere Resources Finland oy ("**BelFin**"), a wholly-owned subsidiary of Belvedere Resources ("**Belvedere**", TSX.V:BEL) for REBgold to earn an interest in two of BelFin's gold properties in Central Finland, the Kiimala and Rantasalmi properties (the "Properties").

Under the terms of the Shareholders' Agreement, REBgold had the right to earn a 50% interest in a special purpose joint venture company which holds the Kiimala and Rantasalmi projects by contributing expenditures of CDN$6.0 million in a 4 year period. During the first year, REBgold must spend a minimum of CDN$1.5 million on the Properties. After the earn-in has been completed, REBgold could increase its interest to between 55% and 75%, depending on the level of BelFin's contribution to a Feasibility Study. A further 5% could be earned if REBgold's bioleaching technology can lead to a material improvement in the project economics.

REBgold has incurred expenditures of CDN$2.4 million since the start of the Shareholders' Agreement. In accordance with the agreement, REBgold has completed the minimum investment and as such REBgold owns 19.5% of the properties. As of July 2014, the Company suspended funding of this project and is considering its strategic alternatives of this non-core asset of the Company. As a result, the Company has written the value of this asset down to Nil for the year ended December 31, 2014.

4. 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:

	Three months ended	
For the periods ended December 31	**2015**	2014
Expenses	**$**	$
Administrative expenses	**357,872**	406,918
Mineral property exploration expenses	**66,315**	189,993
Transaction costs	**738,317**	-
Finance charges	**23,921**	38,956
Loss from operations	**1,186,424**	635,867
Gain on settlement of contingent consideration	**(416,000)**	-
Gain on foreign exchange	**(504,937)**	(164,727)
Loss on change in fair value of warrant liability	**503,888**	-
Net loss and comprehensive loss for the year	**769,375**	471,140

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
For the three months ended March 31, 2015, administrative expenses were $357,872 compared to $406,918 in the same period last year. Significant components and changes in this expense include:

- Salaries and benefits increased to $75,533 for the three months ended March 31, 2015 from $58,967 in the same period last year. The Company has increased in administrative and personnel costs from prior years in anticipation of ramping up the Back Forty project work;
- Share based payments, as explained in Note 11(c) to the unaudited condensed consolidated interim financial statements, were $Nil for the three months ended March 31, 2015 compared to $Nil for the year ended December 31, 2014. Yearly and quarterly fluctuations in share based payments expense are dependent on a number of factors including, but not limited to, number of options granted, valuation of options, vesting period and timing ;
- Professional fees increased to $52,233 for the three months ended March 31, 2015, from $32,087 in the same period last year. Legal fees and professional fees mainly relate to general administrative in nature for corporate legal responsibilities and financial audit fees. As a result of the transaction with REBgold, the Company has expanded the number of entities under the Company resulting in increased administrative costs in this area.
- Management and consulting fees marginally decreased to $141,957 for the three months ended March 31, 2015, from $157,071 in the same period last year. The decrease is due to a higher management head count subsequent to the Acquisition Transaction in January 2014, which has been reduced over the remainder of 2014 and continued to the current quarter.
- Travel and promotion costs significantly decreased to $16,737 for the three months ended March 31, 2015 from $59,659 in the same period last year. As a result of the Acquisition Transactions in January 2014, there was increase in travel expense for site visits to Michigan by management, consultants and investor groups.

- Office and administrative costs decreased to $22,566 for the three months ended March 31, 2015 from $63,870 in the same period last year. In order to conserve cash and reduce expenditures, management actively took steps to reduce certain office and administrative costs.
- The Company had a foreign exchange gain of $504,937 for the three months ended March 31, 2015 compared to a gain of $164,727 in the same period last year. The gain is the result of having a significant Canadian dollar liability as result of the Acquisition Transactions, that when converted to the reporting currency of the financial statements, creates a foreign currency exchange gain as a result of the Canadian dollar decreasing value relative to the United States dollar for the period ended.

Mineral Property Expenditures

For the three months ended March 31, 2015, mineral property exploration expenditures decreased to $66,315 from $189,993 in the same period last year.

5. Quarterly Information

Selected quarterly information for the eight most recently completed quarters is presented below in United States currency ($), and has been prepared in accordance with International Financial Reporting Standards.

(000's)	2015	2014				2013		
	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $
Transaction costs	(738)	-	-	-	-	(1,032)	-	-
Mineral property write-off	-	(5,540)	-	-	-	(280)	-	-
Net Gain in fair value contingent consideration, warrants and debentures	(87)	1,362	-	-	-	-	-	-
Net Expenses for the period	56	(428)	(425)	(890)	(471)	(571)	(305)	(346)
Net Income(Loss) for the period	(769)	(4,606)	(425)	(890)	(471)	(1,883)	(305)	(346)
(Loss) per share	(0.00)	(0.02)	(0.00)	(0.01)	(0.00)	(0.02)	(0.00)	(0.01)

During the first quarter of 2015 the company recognized a gain of $338,111 on the termination of the HudBay NSR. The transaction costs from the Orion financing was expensed on a pro rata basis in the amount of $738,317.

During the fourth quarter of 2014 the contingent consideration, as well as the embedded conversion feature of the convertible debenture and Canadian dollar warrants, were revalued and resulted in a reduction in the these liabilities and a gain of $1.362 million. The mineral property write-off of $5.54 million is from the write down of the mineral property held by REBgold in Finland – Rantasalim and Kiimala.

During the fourth quarter of 2013, the Company finalized the Acquisition Transactions and incurred additional transactions costs of $1.032 million. For the year ended December 2013 the Company wrote off a mineral property and recognized approximately $280,000 as an expense.

During 2013, the Company focused on reducing costs in overhead and general expenses, as well as reduction in exploration and development expenditures in an effort to conserve cash. Exploration and development expenditures were $125,658 for the year ended December 31, 2013 and were increased to $615,893 for the year ended December 31, 2014.

6. Liquidity and Capital Resources

At March 31, 2015, the Company had cash of $4,778,912 compared to cash of $461,175 as of December 31, 2014. The Company had working capital of $2,267,430 as at March 31, 2015 compared to working capital deficit of $1,367,651 as at December 31, 2014. The improvement in working capital is a direct result of the Orion Financing.

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

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

- On March 31, 2015, the Company closed a financing transaction with Orion Mine Finance ("Orion") that includes an equity private placement and a silver purchase agreement for total financing of $20.75-million ("Orion Financing"). Concurrent with the transaction, the Company has also completed the repurchase of two existing royalties on Back Forty. Details of the financing are as follows

    - The Company issued 26,923,077 units to Orion at a price of 13 cents per unit for gross proceeds of $3.5-million. Each unit was composed of one common share and one-half of a warrant. Each full warrant entitles Orion to purchase one common share for a price of 19 cents for a period of 36 months. At the close of the transaction Orion held approximately 12.2 % of the outstanding common share.

    - Under the terms of the silver purchase agreement, Orion has agreed to purchase up to 75 per cent of the total silver produced from the Back Forty project at $4.00 per ounce. In exchange for the right to purchase silver, Orion will pay Aquila $17.25 million, payable in five instalments. Orion has advanced the first installment of $6.5 million.

    - The first installment amount of $6.5 million as at March 31, 2015 was used as an advance of $1.5 million to Aquila, plus the Royalty Termination arrangements to HudBay Minerals Inc. for $1.0 million and to Vale Exploration USA Inc. for $4.0 million.

- On September 19, 2014 the Company completed a private placement and issued 8,972,354 units consisting of a common share and a full warrant at a price per unit of CDN $0.13 for gross proceeds of $1,071,111.

- During the period ended December 31, 2014, 40,273 common shares were issued with a value of $4,532. The shares were issued in satisfaction of obligations payable to vendors for services rendered. The value was equal to the value of the services.

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

Share Capital

	March 31, 2015		December 31, 2014	
	Number of shares	**$ Amount**	**Number of shares**	**$ Amount**
Balance, beginning of year	192,173,528	53,634,046	183,160,901	53,246,720
Shares issued pursuant to a private placement	28,653,846	3,725,000	8,972,354	1,071,111
Shares issued pursuant compensation arrangement	-	-	40,273	4,532
Less:				
Share issue costs	-	200,000	-	40,601
Fair value of warrants	-	773,692	-	647,716
Balance, end of period	220,827,374	56,385,354	192,173,528	53,634,046

Warrants

There are a total of 32,888,049 warrants outstanding at March 31, 2015 and as at the date hereof. For additional information, refer to note 9 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2015.

Options

As at March 31, 2015 there are a total of 13,450,000 stock options outstanding with a weighted average exercise price of CDN$0.15. For additional information, refer to note 8 (b) of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2015.

Commitments

The Company is not committed to any material capital expenditures at March 31, 2015, or 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.

7. 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 "Risks and uncertainties

8. OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2015 and December 31, 2014, the Company does not have any off-balance sheet arrangements.

9. TRANSACTIONS WITH RELATED PARTIES

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 compensation committee. During the three months ended March 31, 2015, director's fees, professional fees and other compensation of directors and key management personnel were as follows:

	Three months ended March 31	
	2015	2014
	$	**$**
Short-term compensation and benefits	**155,313**	196,140
Share-based payments (fair value of stock option benefits and share based payments)	**-**	-
	155,313	196,140

As at March 31, 2015, $93,100 (2014 - $4,310) is included in accounts payable in connection with amounts due to key directors and management personnel.

During the period ended March 31, 2015 a total of $Nil (2014 - $27,000) was billed to the Company by a geological consulting company of which the VP of Exploration is the President. This amount was for professional services provided and reimbursement of out-of-pocket costs.

During the period ended March 31, 2015 rental expenditures in the amount of $3,600 (2014 - $3,600) were paid to a company of which the VP Exploration is part owner.

Transaction costs that were incurred as a result of the Acquisition Transitions as per notes 8 and 10 to the consolidated financial statements, included share based payments (options) and the issue of common shares of the Company as compensation to the board and management. Total value of the share based payments and issue of the common shares of the Company, which are included in transaction costs for the year ended December 31, 2014 were valued at $1,097,200.

10. 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

While assessing whether any indications of impairment exist for mineral property costs, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral property costs. Internal sources of information include the manner in which mineral property costs are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral property costs. The Company assesses the carrying values of its mineral property costs at each annual reporting period.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Business Combination versus Asset Acquisition

The assessment of whether an acquisition is considered to meet the definition of a business requires judgment in establishing whether the set of activities acquired represent an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return. Where the acquired operations do not consist of inputs and processes with the ability to create outputs, the definition of business is not met, and the acquisition is treated as an asset acquisition.

Aquila Resources Inc.

Date of Acquisition

There was judgment involved in determining the date of acquisition relating to the Arrangement as the date on which legal approval was received was different from the date of management acquiring effective control.

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 projected annual production estimates.

Functional Currency

The determination of functional currency involves evaluation of numerous factors including, denomination of key expenditures, mind and management, operational locales, and currencies relating to key financing.

11. 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. As 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 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. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of the Canadian dollar denominated warrants.

12. Risks and Uncertainties

The Company's principal activity of mineral exploration is considered to be very high risk and the mining industry in general is intensely competitive in all its phases. Companies involved in this industry are subject to many and varied types of risks, including but not limited to, environmental, commodity prices, political and economic. Some of the more significant risks are:

Commodity Prices

The Company does not own any metal or other mineral producing assets. The profitability of any mining operations in which the Company has an interest will be significantly affected by changes in the market price of the particular commodity. Metal and other mineral prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, central bank sales, world supply of metals and other minerals and stability of exchange rates, among other factors, can cause significant fluctuations in metal and other mineral prices. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of metals and other minerals has historically fluctuated widely and, depending on the price of metals and other minerals, revenues from mining operations may not be sufficient to offset the costs of such operations.

Lack of Cash Flow and Requirements for New Capital

The Company's current operations do not generate any positive cash flow and it is not anticipated that any positive cash flow will be generated in the near future. The Company has limited financial resources and the mining claims, leases and licenses which the Company holds and joint venture agreements to which the Company is a party impose financial obligations on the Company. There can be no assurance that additional funding will be available to allow the Company to fulfill such obligations, including the proposed Orion Financing.

Further exploration and development of the various mineral properties in which the Company holds interests depends upon the Company's ability to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. Failure to obtain additional financing, including the Orion Financing, on a timely basis could cause the Company to forfeit all or part of its interests in some or all of its properties or joint ventures and reduce or terminate its operations.

Without the completion of the Orion Financing, the Company would need to secure other forms of financing on more or less favourable terms than what has been offered by Orion in order to maintain manage the current properties the Company holds.

Exploration Risks

Exploration for metals and other minerals is speculative in nature, involves many risks and is frequently unsuccessful. Any exploration program entails risks relating to the location of economic ore bodies, development of appropriate metallurgical processes, receipt of necessary governmental approvals and construction of mining and processing facilities at any site chosen for mining. The commercial viability of a mineral deposit is dependent on a number of factors including the price of the commodities, exchange rates, the particular attributes of the deposit, such as its size, grade and proximity to infrastructure, as well as other factors including financing costs, taxation, royalties, land tenure, land use, water use, power use, import and export costs and environmental protection. The effect of these factors cannot be accurately predicted.

All of the resource properties in which the Company has an interest or right are in the exploration and development stages only and are without reserves of metals or other minerals. There can be no assurance that the current or proposed exploration or development programs on properties in which the Company has an interest will result in the discovery of economic mineralization or will result in a profitable commercial mining operation.

Lack of Operating History and Operational Control

The Company has no current source of revenue and its ultimate success will depend on its ability to generate profits from its properties. The Company currently has no producing properties and operates at a loss. The Company's commercial viability is largely dependent on the successful commercial development of its properties.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, labour relations, repatriation of income and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

The Company has exploration projects in Wisconsin and Michigan where mining projects have been opposed in recent years. Each mining project of the Company will face unique environmental and social issues in the permitting process. There are no guarantees that permitting of a particular project will be achieved.

Competition

The Company competes with numerous other individuals and companies possessing greater financial resources and technical facilities in the search for and acquisition of attractive mineral properties.

Management; Dependence on Key Personnel

Investors will be relying on the good faith, experience and judgment of the Company’s management and advisors in supervising and providing for the effective management of the business and the operations of the Company. The Company may need to recruit additional qualified personnel to supplement existing management. The Company is dependent on a relatively small number of key personnel the loss of any one of whom could have an adverse effect on the Company. In addition, while certain of the Company’s officers and directors have experience in the exploration and operation of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms. Certain directors and officers of the Company are associated with other natural resource exploration companies and may from time to time be in a conflict of interest. Directors and officers will be required pursuant to applicable corporation law to disclose any conflicts and directors will be required to abstain from voting in respect thereof.

Title Matters

The Company has investigated its rights to explore, exploit and develop its various properties and, to the best of its knowledge, those rights are in good standing. No assurance can be given that such exploration and mining authorities will not be challenged or impugned by third parties. In addition, there can be no assurance that the properties in which the Company has an interest are not subject to prior unregistered agreements, transfers or claims and title may be affected by undetected defects.

In addition, the Company’s property interests do comprehensively extend to all claim units in all areas and there is a risk that commercially exploitable metal or other mineral deposits are located on adjoining properties which are not owned by the Company.

Aboriginal Land Claims

No assurance can be given that aboriginal land claims will not be asserted in the future in which event the Company operations and title to its properties may potentially be seriously adversely affected.

Environmental Risk

The Company currently has a US$100,000 deposit for potential reclamation costs as part of an agreement to acquire a property. The Company is required to remediate lands that are subject to exploration on an ongoing basis. The financial impact to the Company is expected to be minimal given any surface disturbance is limited in nature. The Company undertakes to observe and adhere by all environmental laws and exploration best practices of the jurisdictions in which it operates.

With respect to environmental regulation, environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes to environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards that have been caused by previous or existing owners or operators of the properties may exist on the properties in which the Company holds interests, and may contravene existing or future regulatory standards.

Currency Risk

Currency fluctuations may affect the funds available to the Company, as well as the cash flow that the Company may realize from its operations, since metals and other minerals are sold in a world market in U.S. dollars. The Company's current expenditures are incurred in U.S. dollars and Canadian dollars.

13. Disclosure Controls

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

The system of disclosure controls and procedures includes, but is not limited to, the Company Disclosure Policy, Code of Business Ethics, the 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, Annual Information Forms 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 our disclosure controls and procedures was conducted, under the supervision of Management, including the CEO and CFO, as of March 31, 2015. 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, 2015.

The CEO and CFO are also required, under NI 52-109, 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.

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 effective as of March 31, 2015.

Other

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.