



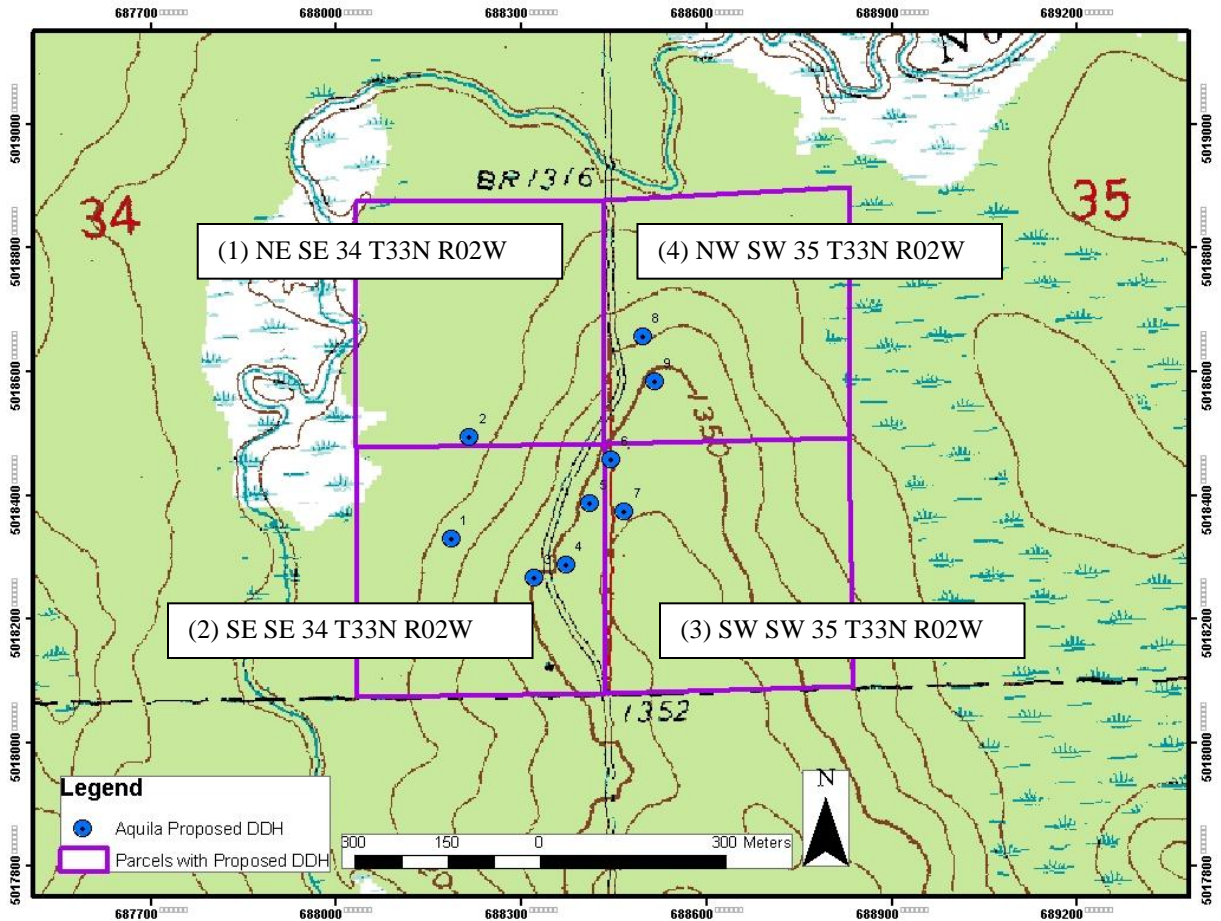
Bend Exploration Program

Notice of Intent to Drill: Phase I

January, 2012

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(1) DESCRIPTION OF PARCELS:



(1.a) Overview:

Aquila Resources Inc. has been granted an exploration license (WIES 56777) from the Bureau of Land Management in conjunction with the Forest Service and plans to begin exploration drilling on the Bend Deposit in Taylor County, Wisconsin. Bend’s exploration plan proposes ~33,000 ft of down-hole drilling. This letter of intent is for a first phase of drilling and consists of ~17,700 ft. Exploration is scheduled to begin mid-January, and will continue until Spring Breakup.

(1.b) Legal description of parcels:

- (1) NE SE S34 T33N R02W: Chequamegon National Forest
 - a. Parcel Size: 40 acres
 - b. Surface Rights: BLM exploration agreement granting right to explore on property
 - c. Mineral Rights: BLM mineral lease granting exclusive right to explore mineral ownership
 - d. Boreholes Planned: 1

- (2) SE SE S34 T33N R02W: Chequamegon National Forest
 - a. Parcel Size: 40 acres
 - b. Surface Rights: BLM exploration agreement granting right to explore on property

- c. Mineral Rights: BLM mineral lease granting exclusive right to explore mineral ownership
- d. Boreholes Planned: 5

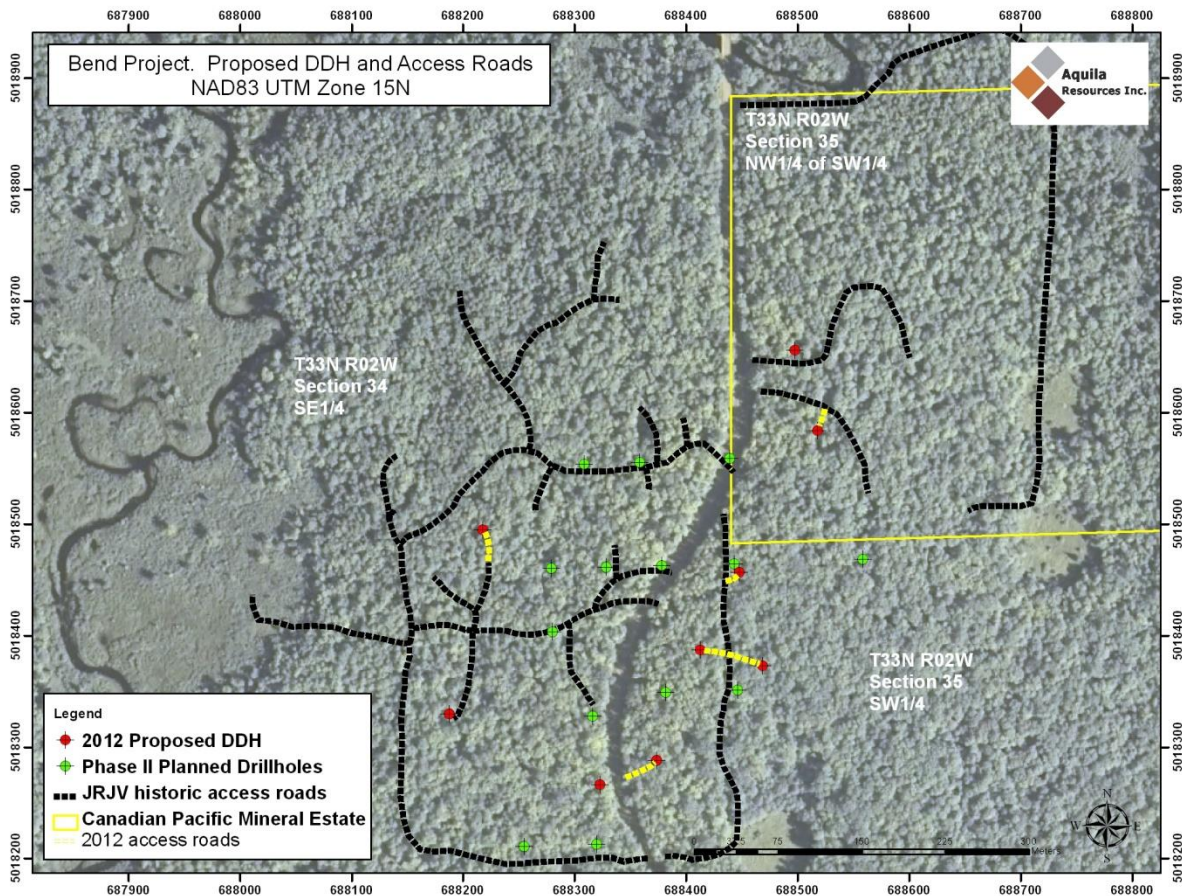
(3) SW SW S35 T33N R02W: Chequamegon National Forest

- a. Parcel Size: 40 acres
- b. Surface Rights: BLM exploration agreement granting right to explore on property
- c. Mineral Rights: BLM mineral lease granting exclusive right to explore mineral ownership
- d. Boreholes Planned: 3

(4) NW SW S35 T33N R02W: Chequamegon National Forest

- a. Parcel Size: 40 acres
- b. Surface Rights: BLM exploration agreement granting right to explore on property
- c. Mineral Rights: Canadian Pacific Railroad mineral estate. *Mineral exploration on this parcel is subject to an agreement with Canadian Pacific Railroad.*
- d. Boreholes Planned: 2

(2) BEND PROPOSED PROJECT AREA:



(2.a) Project area explanation:

It is the policy of Aquila Resources Inc. to carefully select drill sites and access routes such that surface disturbance is kept to a minimum. Diamond Drill sites will typically have a footprint of approximately 50' x 50' to accommodate the drilling rig, sump tank, support equipment and sump. The construction of such a drill site would require the clearing of underbrush as well as small trees in the immediate vicinity of the drill site. An extensive network of access roads from prior exploration activities are available and will be used where able to do so. Small access roads from the pre-existing ones will be constructed to position the drill rig and support equipment on the proposed locations.

(2.b) Approximate drill hole coordinates (NAD83):

| Site | Easting | Northing | Est. EOH (m) | Est. EOH (ft) |
|------|---------|----------|--------------|---------------|
| 1 | 688188 | 5018330 | 515 | 1689.7 |
| 1 | 688188 | 5018330 | 575 | 1886.6 |
| 2 | 688218 | 5018495 | 310 | 1017.1 |
| 3 | 688323 | 5018266 | 525 | 1722.5 |
| 4 | 688374 | 5018288 | 610 | 2001.4 |
| 4 | 688374 | 5018288 | 650 | 2132.7 |
| 5 | 688413 | 5018387 | 600 | 1968.6 |
| 6 | 688448 | 5018457 | 475 | 1558.5 |
| 7 | 688469 | 5018373 | 650 | 2132.7 |
| 8 | 688498 | 5018656 | 210 | 689.0 |
| 9 | 688518 | 5018584 | 270 | 885.9 |

| | | |
|-----------|------|-------|
| Total (m) | 5390 | 17685 |
|-----------|------|-------|

(3) DRILLING PLAN:

(3.a) Diamond core drilling:

The drilling rig employs a diamond-impregnated drill bit to advance an attached string of hollow drill rods into subsurface rock formations, producing a cylindrical core sample. Diamond core drilling will be utilized to delineate the nature of bedrock at depth. Proposed borehole depths are based on anticipated encounters with a distinct lithological unit, and will range from 650'-2150' total depth. NQ-sized drill will be used throughout the exploration program. All drill holes will be cased from surface to solid bedrock to ensure groundwater aquifers are sealed-off from the borehole to prevent cross-contamination between aquifers, and/or the introduction of any contaminants to the groundwater. Drilling will take place 24 hours/day across two 12 hour shifts.

(3.b) Description of drilling fluids and additives to be used:

The diamond drilling process requires the use of water and inert, bio-degradable polymers to lubricate, cool, and flush drill cuttings from the hole. The drilling lubricant to be used is the NSF-approved baroid product: EZ mud.

(3.c) Source of water to be used during drilling:

Water for drilling purposes will be pumped on-site from the Yellow River to an enclosed storage tank where it will be chlorinated prior to usage as a drilling fluid. Throughout the drilling process water will be re-circulated and fully contained.

(3.d) Nature and disposal of waste materials generated during drilling:

Water will be re-circulated from the on-site sump where drilling waste materials will also be collected. Drilling waste materials consist of surface sands and gravels, pulverized bedrock, and drill polymers. Water will be pumped from the top of the sumps to allow the heavier drill cuttings to settle and collect at the bottom. Upon completion of drilling at each site, excess water will be allowed time to disperse into the glacial overburden and the sumps will be filled in. NQ diamond drilling generates 1.8 to 2.3 cubic feet of waste cuttings per 100' of drilling.

All sources of hydrocarbons will have spill containment and absorbent materials placed beneath them, and upon abandonment, will be removed by the drilling company.

(4) RECLAMATION PROCEDURE IN ACCORDANCE WITH s.293.13(s)(c) & s.293.01(23):

(4.a) Proper abandonment of boreholes:

In accordance with NR 130.06(1)(4)(b), casings for temporarily abandoned boreholes will be left in place, and the upper terminal of the casing shall be sealed with a watertight, threaded or welded cap. Upon permanent abandonment of a borehole, protocol will follow that of NR 130.06(1)(a). Permanently abandoned boreholes will be filled from the bottom of the hole upward to the ground surface with concrete or neat cement grout. For the abandonment of diamond drill holes, the filling procedure will be in compliance with NR 130.06(1)(3)(a). Filling material will be applied through a conductor pipe, except that when practical, a dump bailer will be used. When concrete is placed underwater by a conductor pipe, the bottom end of the conductor pipe shall be submerged in the concrete at all times. If circumstances are encountered where the removal of all or part of a casing from an unconsolidated formation results in caving of the borehole, Aquila Resources Inc. will comply with NR 130.06(1)(3)(b), and the casing will be removed concurrently with the filling of the drillhole, and the bottom end of the casing shall be kept below the surface of the fill material throughout the operation.

(4.b) Restoration of drill site:

In compliance with s.293.01(23) & s.293.13(2)(c), restoration will follow the 2011 Reef protocol:

1. Groundwork

- Removal of all equipment from drill sites.
- Removal of cement from collar locations of permanently abandoned drill holes.
- Threaded, water-tight cap placed on collars of temporarily abandoned drill holes
- Scattering of brush and small timber, collection and stacking of larger timber.
- Application of pruning seal to gouges/scrapes in trees.
- Filling and leveling of ruts -Tilling of compacted ground

2. Revegetation

- Revegetation of drill sites via planting of DNR-approved, non-invasive, seed mixtures.

- Stabilization of access routes, staging grounds, etc via planting of DNR-approved, non-invasive Seed mixtures.
 - Placement of straw over all revegetated areas, select stabilized areas.
3. Waste Removal
- Solid and liquid wastes collected and removed from sump tanks.

(5) RECLAMATION FEE ESTIMATE:

(5.a) Abandonment/cementing:

Drill holes at the Bend project will be temporarily left “open” to facilitate down-hole geophysics once the rig has moved off of the site. Upon completion of any down-hole investigations, Aquila Resources Inc., will hire a contractor (whom we have worked with before) to cement the drill hole and remove the casings. The price quote for the abandonment/cementing of a borehole runs at \$3.00/ft. The proposed drilling plan includes ~17,700 feet of down hole drilling, with abandonment fees totaling an estimated \$53,100.00.

(5.b) Site restoration:

The removal of structures and equipment, backfilling of sumps, and the re-distribution of topsoils are carried out via bulldozer. Bulldozer rental price quotes from past Aquila Resources Inc. exploration programs run at \$150.00/day, with bulldozer operator rates of \$50.00/hr. Based on past reclamation programs carried out by Aquila Resources Inc., five days of bulldozer operation and rental spread out over the course of the proposed exploration program would be sufficient to adequately restore drill sites and access routes to their previous state. Aquila Resources Inc. estimates a total of \$2,750.00 would cover these costs in their entirety.

(5.c) Revegetation:

Grass seed will be planted at each drill site. With a maximum drilling footprint of 50’ x 50’ per drill site, the total area of the 9 drill sites that will require revegetation totals 0.5 acres. Areas requiring stabilization due to the construction/use of temporary access routes totals 0.5 acres. Aquila Resources Inc. estimates a total of \$200.00 would cover these costs in their entirety.

(5.d) Total estimate:

| | |
|---------------------------------|--------------------|
| Abandonment/cementing fees: | \$53,100.00 |
| Site Restoration fees: | \$2,750.00 |
| Revegetation fees: | + <u>\$200.00</u> |
| Total Reclamation Costs: | \$56,050.00 |