

DATE: August 26, 2011 FILE REF: Mining

TO: Nickolas Schlagenhafen
Aquila Resources, Inc.

FROM: Philip Fauble – WA/5 *Philip Fauble*

SUBJECT: Revised Exploration Drilling Plan for the Reef Gold Prospect, Town of Easton, Marathon County, WI

On August 23, 2011, Aquila Resources submitted a revised drilling plan for metallic mineral exploration at the Reef Gold Prospect in the Town of Easton, Marathon County, WI. In addition to the revised plan, Aquila also submitted a revised drilling plan map and updated reclamation bond estimates. The purpose of the revised plan was to allow for additional drilling along both the 1700 and 1800 fences on the west side of Thornapple Creek Road. Aquila proposed an additional 6 exploration boreholes on an area known as the Martin Trust Parcel.

Since this was a new drilling area, both Brad Johnson (Stormwater – WCR, Wausau) and I inspected the property on August 24, 2011. The parcel had little tree cover and appeared to be abandoned pasture land. The area had previously been drilled by Noranda in the 1980's and several posts remained to mark old borehole locations. It was noted that the area was low and contained an abundance of wetland-type species (tussock sedge, willow, etc.). Although the site was dry at the time of inspection, our preliminary determination was that the area exhibited the characteristics of a seasonal wetland. The wetland area was limited in size (a few acres) and appeared to be isolated (not connected to any surface water body). It may exist due to backing up of drainage off the road during larger rain events. A subsequent review of the WDNR's Wetland Inventory maps did not record the presence of a wetland on this portion of the parcel.

Based on our inspection and review, it is unlikely that the wetland and the activity (exploration drilling with contained drilling fluids and no fill) would fall under the category of a jurisdictional action needing additional permits. When drilling this parcel, please be mindful that s. 293.13(2)(c)(2) Stats. requires that you minimize the disturbance to wetlands to the extent practicable. Keeping the footprint of the drill sites small and accessing the drill sites without bulldozing a roadway would be ideal. While these specific drill locations on the Martin Trust Parcel may not require permits, please notify us of any other drilling locations so we can inspect them beforehand since conditions can vary significantly, even in adjoining parcels. For instance, the northern (Neiter) parcel has more extensive wetland areas attached to a branch of Mole Brook Creek, so additional protections (possibly permits) will be needed.

In regards to the reclamation bond, we agree with your analysis that additional bonding is not necessary for the 6 proposed boreholes. The initial bond ended up being more than was needed due to a reduction in the length of the boreholes. We will revisit the issue if/when Aquila notifies us of additional drilling activity in the Neiter Parcel, likely this winter.