

Aquila Resources Announces US\$10 Million Equity Financing and US\$55 Million Gold Stream Transaction with Osisko

09.11.2017 | [CNW](#)

Shares Outstanding: 281,300,564

TORONTO, Nov. 9, 2017 /CNW/ - Aquila Resources Inc. (TSX: AQA) ("Aquila" or the "Company") today announced a transaction with Osisko Bermuda Limited ("OBL"), a wholly owned subsidiary of [Osisko Gold Royalties Ltd.](#) (TSX & NYSE: ORO) pursuant to which OBL has agreed to commit approximately US\$65 million to Aquila through a US\$10 million private placement and US\$55 million gold stream purchase agreement.

"We are very pleased to be able to conclude this transaction with Osisko as we feel they are the right partner to assist us in advancing Back Forty to commercial production," stated Barry Hildred, Aquila's Chief Executive Officer. "Proceeds from the transactions will allow us to complete all pre-construction activities at Back Forty and will provide a significant portion of the capital required to build the Project. With Osisko as our strategic partner, we are well-positioned to advance the project and realize material value for our shareholders."

Private Placement

OBL has agreed to purchase 49,173,076 units of Aquila at a price of C\$0.26 per unit for aggregate gross proceeds of US\$12.8 million (the "Strategic Investment"). Each unit shall consist of one common share and one-quarter of one common share warrant. Each whole warrant shall entitle the holder to purchase one common share of the Company for C\$0.34 for a period of 12 months from the Closing Date. The shares will be issued by way of a private placement and therefore will be subject to a customary four month hold period from the date of closing.

Proceeds from the financing will be used to complete the feasibility study for the Back Forty project (the "Project"), advance the Project to full permits for construction, complete exploration programs, and for general corporate purposes.

On closing of the Strategic Investment, OBL will own approximately 14.9% of Aquila's issued and outstanding common shares. For such time as OBL and its affiliates own at least 10% of the issued and outstanding common shares of Aquila, it will have the right to participate in future equity or equity-linked placements to maintain its interest in Aquila and have the right to nominate an individual for election or appointment to the Board of Directors of the Company.

Gold Stream

Concurrent with the Strategic Investment, the parties have also entered into a Gold Purchase Agreement (the "Stream Agreement"), whereby OBL will provide the Company with staged payments totaling US\$55 million, payable as follows:

- US\$7.5 million on closing of the gold stream transaction;
- US\$7.5 million upon receipt by Aquila of all material permits required for the development and operation of the Project and receipt of a positive feasibility study;
- US\$10 million following a positive construction decision for the Project; and
- US\$30 million upon the first drawdown of an appropriate project debt finance facility, subject to the COC Provision (as defined herein).

Under the terms of the Stream Agreement, OBL will purchase 18.5% of the refined gold from the Project (the "Threshold Stream Percentage") until the Company has delivered 105,000 ounces of gold (the "Production Threshold"). Upon satisfaction of the Production Threshold, the Threshold Stream Percentage will be reduced to 9.25% of the refined gold (the "Tail Stream Percentage"). In exchange for the refined gold delivered under the Stream Agreement, OBL will pay the Company ongoing payments equal to 92.5% of the spot price of gold on the day of delivery, subject to a maximum payment of US\$600 per ounce.

In the event of a change of control of the Company prior to the advancement of the final US\$30 million under the Stream Agreement, the person or entity acquiring control over the Project may elect to forgo the final payment, in which case the Threshold Stream Percentage and Tail Stream Percentage will be reduced to 9.5% and 4.75%, respectively (the "COC Provision"). The terms and conditions of the Stream Agreement will remain unchanged.

Pursuant to the Stream Agreement, the Company has agreed to pay a US\$200,000 capital commitment fee. The fee is payable in two installments of 50% upon closing of the Stream transaction and 50% upon Osisko funding the second deposit under the Stream Agreement. Aquila will satisfy the fee by way of the issuance of common shares of the Company based upon the five-day volume weighted average price of the common shares prior to the applicable deposit funding date.

Closing of the gold stream transaction is anticipated to occur on or about November 10, 2017 and is subject to satisfaction of customary conditions.

Board Appointment

Effective immediately and pursuant to the Strategic Investment, Joseph de la Plante, Vice President Corporate Development for Osisko Gold Royalties has been appointed to Aquila's Board of Directors. Mr. de la Plante has been Vice President Corporate Development of Osisko Gold Royalties since June 2014. Prior to this, Mr. de la Plante held the position of Senior Advisor, Investment and Corporate Development of [Osisko Mining Corp.](#) since November 2010, where he played a key role in the company's investor relations and corporate development efforts prior to the sale of the company.

Advisors

GMP Securities L.P. and Medalist Capital Ltd. acted as financial advisors to the Company and McCarthy Tétrault LLP acted as legal counsel.

ABOUT AQUILA RESOURCES

[Aquila Resources Inc.](#) (TSX: AQA) is a development-stage company with strategic assets in the Great Lakes Region. The company is currently focused on advancing permitting activities for its 100%-owned high grade polymetallic Back Forty Project in Michigan.

Aquila's flagship Back Forty Project is an open pit volcanogenic massive sulfide deposit with underground potential located along the mineral-rich Penokean Volcanic Belt in Michigan's Upper Peninsula. The Project contains approximately 1 billion pounds of zinc and 1 million ounces of gold in the M&I categories, with additional upside potential. Currently Aquila is trying to secure the final State permit required to build and operate Back Forty while completing a Feasibility Study.

This press release contains certain forward-looking statements within the meaning of applicable Canadian securities legislation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" and similar expressions suggesting future outcomes or statements regarding an outlook.

Forward-looking statements relate to any matters that are not historical facts and statements of our beliefs, intentions and expectations about developments, results and events which will or may occur in the future, without limitation, statement with respect to: (i) the economic analysis contained in the PEA; (ii) the development plan of the PEA and results thereof; (iii) capital expenditure programs; (iv) the quality or quantity of the mineral resources subject to estimates by Aquila; and (v) work plans to be conducted by Aquila.

These and other forward-looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of Aquila to control or predict, that may cause their actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out herein. Aquila expressly disclaims any obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents Aquila's best judgment based on information currently available. No forward-looking statement can be guaranteed and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information. Furthermore, mineral resources that are not mineral reserves do not have demonstrated economic viability.

Contact

~~SOURCE: Aquila Resources Inc.~~
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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/281890--Aquila-Resources-Announces-US10-Million-Equity-Financing-and-US55-Million-Gold-Stream-Transaction-with-Osisi>

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