

Aquila Resources Files Fourth Quarter and Year End 2017 Financial Results

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Shares Outstanding: 331,183,671

TORONTO, March 2, 2018 /CNW/ - [Aquila Resources Inc.](#) (TSX: AQA) ("Aquila" or the "Company") announced today its financial results for the fourth quarter and year ended December 31, 2017. All amounts, unless indicated, are reported in US dollars.

FOURTH QUARTER HIGHLIGHTS

- In December 2017, the Michigan Department of Environmental Quality ("MDEQ") deemed Aquila's wetland/stream/floodplain permit application for the Back Forty Project administratively complete and the regulatory technical review process can now move to the next stage. This is final required permit to operate and build the Back Forty Project.
- The Company closed a financing transaction with Osisko Bermuda Limited ("OBL"), a wholly owned subsidiary of [Gold Royalties Ltd.](#) (TSX & NYSE: OR) pursuant to which OBL has agreed to commit \$65 million to Aquila through a \$10 million private placement and \$55 million gold stream purchase agreement. OBL purchased 49,173,076 units of Aquila common stock at a price of C\$ 26 cents per unit for aggregate gross proceeds of \$10 million (the "Strategic Investment"). Each unit of Aquila common stock includes one common share and one-quarter of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company for C\$ 34 cents until May 10, 2021. Concurrent with the Strategic Investment, the parties have entered into a Gold Purchase Agreement (the "Stream") whereby 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 refined gold (the "Production Threshold"). Upon satisfaction of the Production Threshold, the Threshold Stream Percentage will be reduced to 9.25% of the refined gold. In exchange for the refined gold delivered under the Stream, OBL will pay the Company ongoing payments equal to 30% of the spot price of gold on the day of delivery, subject to a maximum payment of \$100,000 per ounce. In consideration for the Stream, OBL will make four upfront deposit payments to Aquila totaling \$55 million, of which \$7.5 million which was received on close.
- The Company released the final results from the Company's 2017 exploration drill program at the Back Forty Project. The drilling program was designed to test the along-strike extension of the 2016 Zone massive sulphide. The results include 1.27 g/t gold, 15.78 g/t silver, 12.17% zinc, over 7.09 meters (drilled thickness) in LK-17-537.
- The Company also completed its estimates of capital costs and operating expenditures for the Feasibility Study for the Back Forty Project. Key progress included frozen layout, optimized flow sheet and overall reduction to environmental footprint including water, wetlands and air impacts.
- In December of 2017, the State of Wisconsin passed AB 499, the Mining for America Act which, amongst other things, repealed a decades old moratorium on non-ferrous mining in the state. Aquila is currently evaluating its strategy in Wisconsin where it has two earlier stage exploration assets.
- As at December 31, 2017, Aquila had cash of \$17.2 million and working capital of \$15.5 million. This compared to \$1.4 million and working capital of \$0.6 million at December 31, 2016. The working capital increase was due to the Strategic Investment and the first advance under the Stream in November 2017, the private placement in February 2017 and the exercises during Q3 2017 offset by the funding of the Company's permitting activities and development of the Feasibility Study.

POST QUARTER HIGHLIGHTS

- In February 2018, the Company announced an updated Mineral Resource Estimate for the Back Forty Project (the "2018 Mineral Resource Estimate"). Highlights of the 2018 Mineral Resource Estimate include a 10% increase in tonnage of Measured and Indicated Mineral Resource categories versus the prior 2013 Mineral Resource Estimate, a 12% increase in contained zinc and a 4% increase in contained gold. Contained silver, copper and lead also increased versus the 2013 Mineral Resource Estimate.
- The Menominee Indian Tribe of Wisconsin recently filed a federal lawsuit in the Eastern District of Wisconsin against the Environmental Protection Agency and the US Army Corps of Engineers, claiming that the federal government should not exercise jurisdiction over the wetlands permitting process currently being administered by the State of Michigan and that Aquila should obtain a federal wetlands permit. Both federal agencies rejected this argument when it was presented to them last year, and Aquila anticipates that their position that the State of Michigan is properly exercising its delegated authority to issue a Wetlands Permit will be vindicated by the federal court.
- Appointed Michael Welch as Chief Operating Officer ("COO") effective March 1, 2018. As COO, Mr. Welch will assume full responsibility for the Company's activities at its Back Forty Project in Michigan where he will lead operational readiness and help drive the seamless integration from project to operations. He will also oversee stakeholder engagement, community relations, sustainability, and the Company's regional strategy. Mr. Welch has more than 25 years of experience in the mining and mineral exploration industry covering grassroots exploration, mine geology/exploration, project management and operations management. Prior to joining Aquila, Mr. Welch was the Managing Director and President of the Board of Directors for [Lundin Mining Corp.](#)'s ("Lundin") Somincor Operations, which include the Neves-Corvo copper and zinc mine in Portugal. Prior to that, he was responsible for the construction completion and start-up of operations for Lundin's Iron Mine in Northern Michigan, U.S.A. Before joining Lundin, Michael was the Vice President of Operations for Xstrata's Raglan Operation in Quebec, Canada.

"2017 was a year of considerable progress and achievement for Aquila as we continued to advance the Back Forty Project towards a construction decision," said Barry Hildred, President and Chief Executive Officer of Aquila. "The Company will continue to work with the MDEQ to address any questions concerning the wetlands permit and we anticipate a permit decision in the first half of 2018. In parallel, we are moving ahead on a number of key initiatives including finalizing the Back Forty Feasibility Study, developing an exploration strategy for Back Forty and our earlier stage assets in Wisconsin, continuing to enhance our leadership team, and considering the strategic and financial options available to the Company."

ABOUT AQUILA RESOURCES

[Aquila Resources Inc.](#) (TSX: AQA) is a development-stage company with strategic assets in the Great Lakes Region. The company's experienced management team is currently focused on advancing permitting and engineering activities for its 100%-owned zinc- and gold-rich 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 1.1 billion pounds of zinc and 1 million ounces of gold in the M&I categories, with additional upside potential. Currently Aquila is working to secure the final State permit required to build and operate Back Forty while completing a Feasibility Study.

The Company has three other exploration projects: Reef Gold Project located in Marathon County, Wisconsin, the Bend Project located in Taylor County, Wisconsin and Aquila Nickel located in the Upper Peninsula, Michigan. Reef is a gold-copper property and Bend is a volcanogenic massive sulfide occurrence containing copper and gold.

Barry Hildred, CEO

[Aquila Resources Inc.](#)

Tel: 647.943.5672

Email: bhildred@aquilaresources.com

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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, statements with respect to the 2018 Resource Estimate, the status of a feasibility study in respect of Back Forty, the permitting status of the Back Forty Project and Aquila's future exploration and development plans.

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. These risks include those described under the heading "Risk Factors" in Aquila's annual information form dated March 15, 2017 and its other public filings, copies of which can be under Aquila's profile at www.sedar.com. 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.

SOURCE [Aquila Resources Inc.](#)

Contact

PLEASE CONTACT: David Carew, Director of Corporate Development & Investor Relations, [Aquila](#)

[Resources Inc.](#), Tel: 647.943.5677, Email: dcarew@aquilaresources.com

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