

Aquila Resources Files First Quarter 2018 Financial Results

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TORONTO, May 10, 2018 /CNW/ - [Aquila Resources Inc.](#) (TSX: AQA) ("Aquila" or the "Company") announced today its financial results for the first quarter ended March 31, 2018. All amounts, unless indicated, are reported in U.S. dollars.

FIRST QUARTER HIGHLIGHTS

- In February 2018, the Company announced an updated Mineral Resource Estimate for the Back Forty Project (the "2018 Mineral Resource Estimate"), which was subsequently documented in a technical report, titled "Updated Mineral Resource Estimate and Technical Report on the Back Forty Project, Michigan, USA" prepared by P&E Mining Consultants Inc. on March 26, 2018 and filed on SEDAR on March 26, 2018. The 2018 Mineral Resource Estimate replaces the mine plan estimate that was first disclosed in an Aquila news release dated February 4, 2013 (the "2013 Mineral Resource Estimate"). Highlights of the 2018 Mineral Resource Estimate include a 10% increase in tonnage in the Measured and Indicated Resource categories versus the 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.
- Appointed Michael Welch as Chief Operating Officer ("COO") effective March 1, 2018. As COO, Mr. Welch has no operational responsibility for the Company's activities at its Back Forty Project in Michigan where he will lead operational readiness to help drive the seamless integration from project to operations. He also oversees stakeholder engagement, compliance, sustainability, and the Company's regional strategy.
- On December 8, 2017, the Company announced that the Michigan Department of Environmental Quality (the "MDEQ") deemed Aquila's wetland/stream/floodplain permit application (the "Wetlands Permit") for the Back Forty Project administratively complete allowing the regulatory technical review process to move to the next stage. The Wetlands Permit is the fourth and final permit required to build and operate the Back Forty Project. On January 23, 2018, the MDEQ held a public hearing for the Wetlands Permit. The public comment period, which continued after the public hearing, concluded on February 2, 2018. The Company continues to work with the MDEQ to provide further clarifications as part of its ongoing technical review of the Wetlands Permit application.
- On March 8, 2018, the United States Environmental Protection Agency (the "EPA") provided comments to the MDEQ regarding the Wetlands Permit. The EPA had 90 days from December 8, 2017, when the MDEQ deemed the Company's Wetlands Permit application administratively complete, to provide comments. The EPA's opportunity to comment on the application is subject to strict statutory processes, regardless of the significance of the comments. The MDEQ has until March 8, 2018, to work with Aquila to resolve the comments made by the EPA and to provide the information requested by it. The EPA provided supplementary comments to the MDEQ in a letter dated May 3, 2018 (see Post Quarter Highlights).
- In January 2018, the Menominee Indian Tribe of Wisconsin 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 is improperly exercise jurisdiction over the wetlands permitting process currently being administered by the State of Michigan and that Aquila to 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. To that end, the U.S. Department of Justice has filed a motion for dismissal of the lawsuit, which Aquila has joined.
- On March 16, 2018, [HudBay Minerals Inc.](#) exercised 865,385 warrants with an exercise price of \$ 19 cents for proceeds of \$164,423 to the Company of \$164,423.
- As at March 31, 2018, Aquila had cash of \$14.9 million and working capital of \$13.5 million. This compared to cash of \$15.5 million and working capital of \$15.5 million at December 31, 2017. The decrease in working capital is primarily due to the funding of the Company's permitting activities and development of the Feasibility Study.

POST QUARTER HIGHLIGHTS

- In April 2018, an administrative contested case hearing began. The case was adjudicated by an Administrative Law Judge regarding the validity of the Part 632 Permit to Mine issued to Aquila for the Back Forty Project by the MDEQ in December 2016. An individual alleging to own property near the Back Forty Project and the Menominee Indian Tribe of Wisconsin challenged the permit. These challenges will ultimately be resolved by the Director of the MDEQ after the contested case hearing is complete. Aquila does not anticipate the MDEQ Director will come to a different conclusion on issuing the permit than MDEQ staff.

- On May 3, 2018, the EPA provided supplementary comments to the MDEQ regarding the Company's Wetlands Permit application. The EPA confirmed that a number of objections identified in the March 8, 2018 letter have been resolved. The EPA believes there is a ready pathway for the resolution of the EPA's remaining objections through the MDEQ's specific conditions in a final Wetlands Permit. Aquila has reviewed the proposed permit conditions and is confident that all conditions can be readily met. The MDEQ and Aquila have until June 6, 2018 to ensure that the proposed permit fully addresses the EPA's objections. The Company will continue to work with the MDEQ in order to satisfy complete requirements of both the State and Federal wetland and stream protection statutes and believes all other related matters have largely been reviewed. The Company is confident that it can work with the MDEQ within the prescribed timeframe.

"Aquila continues to make significant progress towards receiving the final Wetlands Permit in June," said Barry Hildred, President and Chief Executive Officer of Aquila. "With the concerns of the EPA now substantially resolved, subject to inclusion of final permit conditions, we are able to focus on working closely with the MDEQ to address any final questions concerning the permit application. 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 management team, and considering the strategic and financial options available to the Company."

SELECTED FINANCIAL INFORMATION

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, 2018:

	Three months ended	
	March 31,	
In US dollars	2018	2017
Administrative expenses	\$ 1,152,188	\$ 960,665
Mineral property exploration expenses	1,334,773	1,320,701
Net finance charges	392,648	1,060
Loss from operations	2,879,609	2,282,426
Gain (loss) on foreign exchange	(197,303)	81,833
Gain on change in value of contingent consideration	(24,470)	(32,260)
(Gain) loss on change in fair value of warrant liability	(225,465)	423,563
Net and comprehensive loss for the period	2,432,371	2,755,562
Net loss per share - basic and diluted	0.01	0.01

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 the 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 in 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 Measured & Indicated 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 Ben

located in Taylor County, Wisconsin and Aquila Nickel located in the Upper Peninsula, Michigan. Reef is a gold-copper and Bend is a volcanogenic massive sulfide occurrence containing copper and gold.

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 expect", "may", "will", "should", "could", "intends", "anticipates", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "might" or "will be taken", "occur" or "be achieved" and similar expressions suggesting future outcomes or statements regarding the company's 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 regarding the potential upside of the Back Forty Project, 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 and estimates. Such risks, uncertainties and other factors set out herein. These risks include those described under the heading "Risk Factors" in Aquila's most recent annual information form and its other public filings, copies of which can be found under Aquila's profile at www.sedar.com. Aquila expressly disclaims any obligation to update forward-looking information except as required by 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 cautioned 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

Barry Hildred, CEO, [Aquila Resources Inc.](#), Tel: 647.943.5672, Email: bhildred@aquilaresources.com; David Carew, Director of Corporate Development & Investor Relations, [Aquila Resources Inc.](#), Tel: 647.943.5677, Email: dcarew@aquilaresources.com

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