

Aquila Resources Announces Positive Feasibility Study Results for its Back Forty Project

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- After-tax NPV at a 6% discount rate of US\$208M, IRR of 28.2% and Capex of US\$294M -

Shares Outstanding: 337,568,556

TORONTO, Aug. 1, 2018 /CNW/ - [Aquila Resources Inc.](#) (TSX: AQA) ("Aquila" or the "Company") announced today the completion of an independent open pit only Feasibility Study ("Feasibility Study") completed on its 100% owned zinc- and gold-rich Back Forty Project in Michigan. The Feasibility Study was compiled by Lycopodium Minerals Canada Ltd ("Lycopodium") with support from globally recognized experts and specialist consulting engineering companies in environmentally critical areas such as water management, tailings and waste rock management and mine design. All economic values within this news release are in US dollars unless indicated otherwise.

"The completion of the Back Forty Project Feasibility Study is a significant milestone for Aquila and sets the stage for the Company to develop this deposit," said Barry Hildred, President and Chief Executive Officer of Aquila. "Back Forty is well-positioned to develop this deposit in a favourable mining jurisdiction that is close to existing infrastructure. We can now focus the Company's resources on the pre-construction phase at Back Forty while considering funding alternatives to complete the development of the Project."

Highlights

- Pre-tax NPV at a 6% discount rate of \$259M and IRR of 32.0% at base case metal prices of \$1,300/oz gold, \$1.20/oz silver, \$3.00/lb copper and \$1.00/lb lead.
- After-tax NPV at a 6% discount rate of \$208M and IRR of 28.2% with a 2.2 year payback.
- Open pit Proven and Probable Mineral Reserves of 11.65M tonnes.
- A project life of seven years with total payable gold production of 468,000 oz (or an average of 67,000 oz per year) and 135,000 oz in Year 1. Total payable gold equivalent production of 1.1 million oz.
- Total payable zinc production of 512M lbs (or an average of 73M lbs per year). Total payable zinc equivalent production of 1.2B lbs.
- Initial project capital costs estimated at \$294M with a 24-month construction period.
- Sustaining capital costs of \$110.6M.
- Gross C1 cash costs¹ of \$499/oz gold equivalent or \$0.46/lb zinc equivalent and net C1 cash costs of -\$590/oz gold or -\$1.73/lb zinc.
- Gross AISC² of \$677/oz gold equivalent or \$0.62/lb zinc equivalent and net AISC of -\$171/oz gold or -\$1.34/lb zinc.
- The Company has also identified a number of opportunities to further enhance the overall economics of the Project through the future addition of an underground expansion.

Andrew Boushy, P.Eng., Senior Vice President, Projects commented, "I want to thank our entire expanded team of specialist consultants for all of their efforts in helping us complete the Feasibility Study. The robust results of the study clearly demonstrate that Back Forty is a compelling project based only on an open pit operation and we see several opportunities to further enhance the value that will be advanced during the detailed engineering phase. We have set the bar high for environmental protection and to engage local contractors who live in the community in which we will operate."

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Back Forty Project Background

The Back Forty Project (the "Project") is a polymetallic (zinc, gold, copper, silver, lead) Volcanogenic Massive Sulphide ("VMS") deposit located in Menominee County, Michigan, USA. The Back Forty deposit was originally discovered in 2002, and is currently wholly-owned by Aquila. The Project is located approximately 55 km south-southeast from Iron Mountain, and approximately 19 km west of Stephenson, Michigan.

Mineralization at the Back Forty deposit consists of discrete zones of: 1) zinc or copper-rich massive sulphide (\pm lead), which may contain significant amounts of gold and silver, 2) stockwork stringer and peripheral sulphide, which can be gold, zinc, and copper-bearing (\pm lead/silver), 3) precious metal-only, low-sulphide mineralization, and 4) oxide-rich, precious metal-bearing gossan.

Major aspects of the Project include mine open pit, hydrological cut-off wall, oxide and sulphide processing plants, tailings management facility, waste rock storage facilities, contact and non-contact water basins, mine services, access road and a state of the art waste water treatment plant. The reclamation and closure plan includes the backfilling of the open pit with waste rock and the capping of the tailings and waste rock facility followed by a minimum of 20 years of environmental monitoring as required by Michigan law.

Access to the facility is from the west side of the Project from the existing River Road. Principal access will be via a main security gate near the process plant. Power to the site will be provided via an incoming high voltage line from the east side of the Project.

Mineral Reserve Estimate

The Proven and Probable Mineral Reserve Estimate for the Project is summarised in the table below. Approximately 70% of the Mineral Reserve Estimate is in the Proven category. Only Measured and Indicated Mineral Resources are included in the open pit Mineral Reserve Estimate. The Mineral Reserve Estimate was prepared by P&E Mining Consultants Inc.

Back Forty Mineral Reserve Estimate as at February 6, 2018

	Ore	NSR	Gold	Silver	Zinc	Lead	Copper
	Mt	\$/t	g/t	g/t	%	%	%
Proven	8.12	\$120	1.95	18.4	3.02	0.13	0.35
Probable	3.53	\$85	1.63	29.3	1.76	0.41	0.10
Proven + Probable	11.65	\$109	1.85	21.7	2.64	0.21	0.28

1. CIM definitions were followed for the Mineral Reserve Estimate.
2. The Mineral Reserve Estimate used average long term metal prices of \$1,250/oz gold; \$20.00/oz silver; \$1.15/lb zinc; \$1.00/lb lead; and \$3.00/lb copper.
3. A Mineral Reserve is defined within a mine plan, with pit phase designs guided by Lerchs–Grossmann (LG) pit shells, after dilution and mining loss adjustments.
4. The Mineral Reserve Estimate is derived from Measured and Indicated Mineral Resources only.
5. Metallurgical recovery used was a variable function of the rock type and metal grade.
6. The Mineral Reserve Estimate for the Project will be comprised of eight different ore types that will be processed either through a flotation concentrator or cyanide leach plant. NSR cut-off values applied are: Ore 1 - \$16.50/t, Ore 2,3,4,7,8 - \$16.00/t, Ore 5 - \$17.50/t, and Ore 6 - \$28.50/t.
7. The life-of-mine strip ratio is 4.3:1 including the pre-construction period.

Mineral Resource Estimate

The Mineral Resource Estimate from which the Mineral Reserve is derived from is set out below and was prepared by P&E Mining Consultants Inc.

Back Forty Mineral Resource Estimate as at February 6, 2018

Area	Metallurgy Class	NSR Type	Cut-off	Tonnes	Gold	Gold	Silver	Silver	Zinc	Zinc	Copper	Copper	Lead	Lead
			\$/tonne	(1,000)	g/t	K oz	g/t	K oz	%	M lb	%	M lb	%	M lb
Pit	Floatable	Meas 21		6,797	1.75	381	18.4	4,027	3.45	516.5	0.38	56.4	0.16	23.4
Constr- ained		Ind 21		3,768	1.58	191	25.2	3,056	3.15	261.7	0.24	19.9	0.39	32.8
		M & I 21		10,565	1.68	572	20.9	7,083	3.34	778.2	0.33	76.3	0.24	56.2
		Inf 21		71	1.01	2	30.7	70	2.98	4.7	0.14	0.2	0.37	0.6
	Leachable	Meas 22		553	5.61	100	34.8	618	0.19	2.4	0.05	0.6	0.13	1.5
		Ind 22		1,777	2.15	123	39.6	2,263	0.41	16.1	0.03	1.3	0.29	11.5
		M & I 22		2,330	2.97	223	38.5	2,881	0.36	18.5	0.04	1.9	0.25	13.0
		Inf 22		378	3.62	44	40.1	487	0.38	3.2	0.06	0.5	0.52	4.3
	Total	Meas 21+22		7,350	2.04	481	19.7	4,645	3.20	518.8	0.35	57.0	0.15	24.9
		Ind 21+22		5,545	1.76	314	29.8	5,319	2.27	277.8	0.17	21.2	0.36	44.3
		M & I 21+22		12,895	1.92	795	24.0	9,964	2.80	796.6	0.28	78.2	0.24	69.2
Out of Pit		Inf 21+22		448	3.21	46	38.6	557	0.79	7.9	0.07	0.7	0.49	4.9
	Floatable	Meas 70		556	1.79	32	26.8	480	5.32	65.2	0.33	4.0	0.41	5.0
		Ind 70		3,059	1.84	180	26.2	2,577	4.23	285.4	0.51	34.3	0.30	20.3
		M & I 70		3,615	1.83	213	26.3	3,057	4.40	350.7	0.48	38.4	0.32	25.3
		Inf 70		544	2.96	52	37.5	656	1.38	16.6	0.62	7.5	0.39	4.6
	Leachable	Meas 70		37	7.38	9	74.3	89	0.31	0.3	0.12	0.1	0.11	0.1
		Ind 70		77	3.85	9	47.3	117	0.32	0.5	0.15	0.2	0.13	0.2
		M & I 70		114	5.01	18	56.1	206	0.32	0.8	0.14	0.3	0.13	0.3
		Inf 70		137	5.93	26	81.0	356	0.42	1.3	0.16	0.5	0.49	1.5
	Total	Meas 70		593	2.14	41	29.8	569	5.01	65.5	0.32	4.1	0.39	5.1
		Ind 70		3,135	1.88	190	26.7	2,694	4.14	286.0	0.50	34.6	0.30	20.5
		M & I 70		3,729	1.93	231	27.2	3,262	4.28	351.5	0.47	38.7	0.31	25.7
		Inf 70		680	3.56	78	46.2	1,011	1.19	17.8	0.53	8.0	0.41	6.1

Total	Floatable	Meas 21+70	7,353	1.75	414	19.1	4,507	3.59	581.7	0.37	60.5	0.18	28.4
		Ind 21+70	6,827	1.69	371	25.7	5,633	3.64	547.1	0.36	54.2	0.35	53.1
		M & I 21+70	14,180	1.72	785	22.2	10,140	3.61	1,128.8	0.37	114.7	0.26	81.5
		Inf 21+70	615	2.74	54	36.7	726	1.57	21.2	0.57	7.7	0.38	5.2
	Leachable	Meas 22+70	590	5.72	109	37.3	707	0.20	2.6	0.05	0.7	0.12	1.6
		Ind 22+70	1,854	2.22	132	39.9	2,380	0.41	16.7	0.04	1.6	0.29	11.7
		M & I 22+70	2,444	3.07	241	39.3	3,087	0.36	19.3	0.04	2.2	0.25	13.4
		Inf 22+70	514	4.24	70	51.0	842	0.39	4.5	0.09	1.0	0.51	5.8
	Total	Meas 21+22+70	7,943	2.04	522	20.4	5,214	3.34	584.3	0.35	61.2	0.17	30.0
		Ind 21+22+70	8,680	1.80	504	28.7	8,013	2.95	563.8	0.29	55.8	0.34	64.9
		M & I 21+22+70	16,623	1.92	1,026	24.7	13,227	3.13	1,148.1	0.32	116.9	0.26	94.9
		Inf 21+22+70	1,129	3.42	124	43.2	1,568	1.03	25.7	0.35	8.7	0.44	11.0

1. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.
2. The Inferred Mineral Resource in this estimate has a lower level of confidence than that applied to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.
3. The Mineral Resource was estimated using CIM guidelines and include the Mineral Reserve.
4. Metallurgical type Oxide (all gold domains and leachable Gossans) is leachable, while all other metallurgical types are floatable.
5. The Mineral Resource Estimate was based on metal prices of \$1,375/oz gold, \$22.27/oz silver, \$1.10/lb zinc, \$3.19/lb copper and \$1.15/lb lead.

Mining

The Project area consists of subdued terrain and topography. The area, topography and climate are amenable to the conventional open pit mining operations proposed for the Project. No underground mining is planned at this stage although the potential for underground mining will be evaluated in the near future.

The mining operations will encompass a single large open pit that will be mined with conventional mining equipment in three pushback phases. The mining fleet will consist of major equipment used directly in the rock-moving operation including blast hole drills, hydraulic excavators, and 91 t haul trucks. Various support equipment will be required, such as dozers, graders, water trucks, and light vehicles for maintenance, personnel transport and mine supervision.

For scheduling purposes, the Back Forty open pit was subdivided into three phases. Mining commences in a small higher-grade starter pit and subsequently expands outwards by pushing back the pit walls. This enables annual waste stripping quantities to be distributed over time to avoid highly variable annual total material mined tonnages.

A summary of the phase tonnages is shown in the table below.

Pit Phase Tonnages

		Phase 1	Phase 2	Phase 3	Total
Waste Stripping					
Over Burden	Mt	1.23	1.65	0.90	3.78
Waste	Mt	4.63	19.43	22.39	46.45
Total Waste	Mt	5.86	21.08	23.29	50.23
Strip ratio	w:o	2.6	4.1	5.4	4.3
Ore Production					
Flotation Ore	Mt	1.95	4.33	3.66	9.94
Leach Ore	Mt	0.28	0.78	0.65	1.71
Total Ore	Mt	2.23	5.11	4.30	11.65
Avg NSR	\$/t	\$135	\$98	\$109	\$109

Ore may be delivered either to the primary crusher or placed into one of the nearby stockpiles. Waste is either taken to a waste storage facility or used in tailings dam construction.

In order to improve mining selectivity and reduce ore dilution, two different bench heights will be used. The Oxide and Pinwheel Ore Zones can be narrow and closely spaced, hence they will be mined using a 2.5 m high bench height. In the Main and Tuff Ore Zones and in large waste areas away from the ore zones, bench heights of 5.0 m will be used to minimize unit mining costs. In waste areas near the ore zones, waste must be mined on the 2.5 m bench as part of the ore/waste mining separation. Approximately 10% of the waste rock tonnage will be mined on 2.5 m high benches.

Mineral Processing and Metallurgy

The process plant design for the Project is based on a flexible metallurgical flowsheet designed for treatment of a variety of different ore types. The flowsheet is based on well proven unit operations in the industry.

The key project design criteria for the process plant are:

- Nominal throughput of 4,000 tpd sulphide ore and 800 tpd oxide ore.
- Crushing circuit availability of 75% supported by the use of surge bins and dedicated feeders for choke feeding circuit for optimum crushing performance and wear minimization.
- Oxide and sulphide process plant availability of 91.3% through the use of standby equipment in critical areas and power supply.
- Sufficient automated plant control to minimize the need for continuous operator interface and allow manual override control if and when required.

Sulphide Mineral Reserve that will be processed through the flotation concentrator have been classified into five ore types from three zones:

- Main Zone - Representing over half of sulphide mineralization, will produce separate zinc and copper concentrates containing payable levels of gold and silver.
- Tuff Zone - Representing approximately one third of sulphide mineralization, will produce separate zinc and lead concentrates, each containing payable levels of gold and silver.

- Pinwheel Zone - Represents the remaining 12% of mineralization and has been sub-classified into 3 ore types. All ore types will produce copper mineralization that contains payable levels of gold and silver. However, only one of types (Type 8) will produce zinc concentrate and this will not contain any payable by-products.

Project value will be maximized by campaigning the different sulphide ore types through the process plant separately, with the minimum duration of any campaign approximately one month. A total of seven different ore stockpiles will be used to facilitate campaigning and also ensure that both the sulphide and oxide process plants are fed with the highest value ore available.

For the initial 18 months of operation, only Main and Pinwheel type ores will be campaigned through the process plant. After 26 months of operation, Pinwheel ore will be depleted and for the remaining life, only Main and Tuff ores will be campaigned through the process plant.

The overall sulphide process plant flowsheet includes the following steps:

- Primary crushing.
- Grinding and classification
- Bulk rougher flotation.
- Zinc rougher flotation.
- Bulk concentrate re-grind.
- Zinc concentrate re-grind.
- Bulk cleaner flotation, using three stages of cleaning.
- Zinc cleaner flotation, using two or three stages of cleaning depending on head grade.
- Bulk concentrate thickening and filtration.
- Zinc concentrate thickening and filtration.
- Tailings thickening and disposal in the common Tailings Management Facility (TMF).

The overall oxide process plant flowsheet includes the following steps:

Three stage crushing using an open circuit jaw crusher, open circuit secondary cone crusher and tertiary cone crusher in closed circuit.

- Grinding and classification.
- Pre-leach thickening.
- Cyanide leach.
- CCD washing and clarification of pregnant solution.
- De-aeration and zinc precipitation (Merrill Crowe).
- Mercury removal using a retort.
- Smelting to produce doré.
- Cyanide destruction of tailings.
- Tailings thickening and disposal in a common TMF.

Metal Production

Metal production figures are summarized in the table below.

Metal	Life of Project Production	Average Annual Production
Gold (K oz)	468	67
Zinc (K lbs)	512,198	73,171
Copper (K lbs)	51,109	7,301
Silver (K oz)	4,458	637
Lead (K lbs)	24,183	3,455

A summary of the life of project revenue by metal, revenue by product, and recovery by metal are included in the tables below.

Revenue by Metal		Revenue by Product		Metal Recovery by Product		
Metal	% of Revenue	Product	% of Revenue	Metal	Concentrates	Doré
Gold	41%	Zinc Concentrate	45%	Gold	64.5%	91.6%
Zinc	41%	Copper Concentrate	31%	Zinc	91.7%	
Copper	10%	Doré	16%	Copper	80.6%	
Silver	6%	Lead Concentrate	8%	Silver	64.1%	68.6%
Lead	2%	Total	100%	Lead	81.5%	
Total	100%					

Concentrate Marketing

In addition to a Doré, the Back Forty Project will produce zinc, copper and lead concentrates. The zinc concentrates will on average grade 52.7%, the copper concentrates will on average grade 19.3%, and the lead concentrate will on average grade 35%. Over its seven year life, the Project will on average annually produce 71,160 tonnes of zinc concentrate, 23,120 tonnes of copper concentrate and 5,600 tonnes of lead concentrate. All concentrates are expected to be marketable. Studies are ongoing to evaluate the optimal blends, destinations and transport options for Back Forty concentrates. The Company believes that there are multiple attractive options for each of the concentrates.

Capital and Operating Costs

The capital estimate is summarized in the following tables by area and by discipline. All costs are based on Q1 2018 pricing. The estimate is deemed to have an accuracy of $\pm 15\%$.

Capital Estimate Summary by Area

Area	\$ M
Indirect Construction	19
Common Plant	20
Oxide Plant	33
Sulphide Plant	59
TMF/WRFs	39
Infrastructure	33
Mining	25
Management Costs	22
Owner costs	13
Subtotal	263
Contingency (12%)	31
Total	294

Project Implementation Strategy

The implementation strategy for the Back Forty Project is based on a traditional Engineering, Procurement and Construction Management ("EPCM") implementation approach with horizontal discipline-based contract packaging. Horizontal packages were established for earthworks, building works, concrete works, field erected tankage, structural, mechanical and piping installation, electrical and instrumentation supply and installation. Opportunities for vertical or area packages will be reviewed. An experienced project management firm will be engaged to oversee Engineering and Procurement support ("EP") services for the development of the process plant and the associated infrastructure and directly manage project controls and construction with a focus on project delivery best practices as part of an integrated owner's team with Aquila.

Mine Sustaining Capital

Expenditures incurred after Year -1 are considered sustaining capital and are summarized in the table below. The majority of the sustaining capital consists of capital lease payments for the mining equipment. Given the five year life of the open pit, no equipment replacements are planned.

Mine Sustaining Capital Cost Summary (\$ '000)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Equip. & Down payments	749	277	-	40	-	100	-	1,165
Equip. Capital Leases	6,420	7,709	8,287	8,287	4,181	84	84	35,052
Mine Development	2,956	163	110	-	-	-	-	3,228
Freight & Spares	358	399	414	416	209	9	4	1,811
Total Mine Sustaining Costs								

Project Infrastructure Sustaining Capital

Infrastructure sustaining capital costs include subsequent TMF stage raises over the life of mine, waste rock facility expansion costs, mine closure costs, salvage value and rehabilitation costs. The sustaining capital schedule over the life of mine is estimated as shown in the table below.

Project Sustaining Capital Cost Summary (\$ '000)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Cut-off Wall	4,658	-	-	-	-	-	-	4,658
Tailings Management Facility	15,734	4,360	5,155	-	1,813	-	-	27,062
South Waste Rock Facility	8,538	-	-	-	-	-	-	8,538
North Waste Rock Facility	9,798	19,263	-	-	-	-	-	29,062
Total Project Sustaining Costs	38,728	23,623	5,155	-	1,813	-	-	69,320

Operating Costs

A summary of the life of Project operating costs is outlined in the table below.

Operating Costs Summary

	Life of Project \$/t	
	(\$M)	ore
Gross Revenue	1,437	123
Realization Charges	180	15
NSR (Base Case)	1,256	108
Mining	160	14
Processing	184	16
G&A	27	2
Total Site Opex	371	32

Economic Analysis

A summary of key Back Forty Project metrics is outlined in the table below. The Base Case metal price deck is: \$1,300/oz gold, \$1.20/lb zinc, \$20/oz silver, \$3.00/lb copper and \$1.00/lb lead.

Summary Economic Analysis – Base Case Metal Prices

Item	Description	Total
Ore	Mt	11.7
Strip Ratio	waste : ore	4.3
Grade	Gold equivalent	4.3 g/t
Grade	Zinc equivalent	6.7%
Total Recovery & Payability	% of con'd ZnEq	69.1%
Payable Zinc	MIbs	512
Payable Gold	koz	468
Payable Zinc Equivalent	MIbs	1,197
Payable Gold Equivalent	koz	1,105
Tailings	Mt	11.0
Gross Revenue	\$/t ore	123
NSR (Base Case)	\$/t ore	108
Total Site Opex	\$/t total ore	32
Royalties	\$/t total ore	1
EBITDA	\$/t total ore	75
EBITDA margin	EBITDA / NSR	69.6%
Gross C1 Cash Costs	\$/oz AuEq	499
Net C1 Cash Costs	\$/oz Gold	(590)
Net C1 Cash Costs	\$/lb Zinc	(1.73)
Initial Capital	\$M	294
Total Investment (including Closure)	\$M	480
Gross AISCs	\$/oz AuEq	677
Net AISCs	\$/oz Gold	(171)
Net AISCs	\$/lb Zinc	(1.34)
Annual After-Tax Operating Cash Flow	\$M pa	62
After-Tax NPV at a 0% discount rate	\$M	316
After-Tax NPV at a 6% discount rate	\$M	208
After-Tax IRR		28.2%

After-Tax Payback	Years	2.2
Pre-Tax NPV at a 6% discount rate	\$M	259
Pre-Tax IRR		32.0%

1. None of EBITDA, C1 cash costs or all-in sustaining costs ("AISC") have a standardized meaning under IFRS. See "Non-IFRS Measures".
2. Gold and zinc equivalencies were determined using total contained and payable metals and the respective ratio of Base Case metals prices.
3. Evaluation includes financial impacts of the Company's silver stream with Osisko Gold Royalties (OGR) but does not include the financial impact of its gold stream with OGR for which the majority of the upfront payments have yet to be received and for which there is uncertainty regarding the exact timing of these payments. See the Company's Q1 2018 Financial Statements and MD&A available on SEDAR for additional details regarding the gold stream.

Figure 1 illustrates life of project production, payable production and cash flow that would result under the Base Case macro-economic scenario.

Sensitivity Analysis

	Base Case -15%	Base Case	Base Case + 15%
Gold (\$/oz)	1,105	1,300	1,495
Zinc (\$/lb)	1.02	1.20	1.38
Silver (\$/oz)	17.00	20.00	23.00
Copper (\$/lb)	2.55	3.00	3.45
Lead (\$/lb)	0.85	1.00	1.15
Pre-Tax			
NPV (6% discount rate) (M)	102	259	416
IRR	17.9%	32.0%	44.1%
After-Tax			
NPV (6% discount rate) (M)	79	208	332
IRR	15.5%	28.2%	38.9%
Payback Period (years)	3.3	2.2	1.5

Opportunities

Aquila believes there are a number of opportunities available to the Company to improve the performance of the Project as currently outlined in the Feasibility Study, all of which require additional evaluation. These include:

Underground Expansion

The Feasibility Study Mineral Reserve Estimate does not consider any out of pit Mineral Resource. The Company believes there is an opportunity to develop the out of pit Mineral Resource, which currently stands at 3.7M tonnes (Measured + Indicated), but additional studies will be required to demonstrate the economic viability of an underground expansion. An underground expansion would also defer mine closure costs which currently commence in Year 8 at a nominal cost of \$74.7M. The Company's existing permits are for an open pit mine only and amendments and additional environmental studies would be required to allow underground mining. Aquila will soon be commencing an exploration drill program to further define the underground Mineral Resource.

Process Plant

Metallurgical test work and optimization is continuing with the objective of decreasing process plant cyanide consumption, water treatment costs and tailings treatment operability. Studies will also be undertaken to follow up on initial test results that have demonstrated increased copper recoveries particularly in the years of higher copper grades in the process plant feed.

Next Steps

Certain pre-construction activities have already commenced. The Company is finalizing its Project Execution Plan which will further define the Project development strategy including contracting philosophy, plans for basic and detailed engineering and any required permit amendments, as well as plans for building the owner's team in preparation for the construction and operational readiness phases of the Back Forty Project.

The Company will continue discussions with prospective financial partners to secure the required capital to build the Back Forty Project. Aquila, with the assistance from its advisors, will consider all strategic and financial options available to the Company and the Project.

With its current cash resources and an additional \$47.5M in staged payments that remain available to the Company under its gold stream purchase agreement with [Osisko Gold Royalties Ltd.](#), Aquila is well-financed to complete its planned pre-construction and exploration activities.

Technical Report

The Company will file the Feasibility Study Technical Report on SEDAR in accordance with NI 43-101 within 45 days of the date of this news release. Readers are cautioned that the conclusions, projections and estimates set out in this news release are subject to important qualifications, assumptions and exclusions, all of which are detailed in the Feasibility Study and Technical Report. To fully understand the summary information set out in this news release, the Technical Report to be filed on SEDAR should be read in its entirety.

Qualified Persons

This news release has been reviewed and approved by the Qualified Persons noted below. The Qualified Persons have reviewed or verified all information for which they are individually responsible.

Qualified Person	Employer	Professional Designation
Neil Lincoln	Lycopodium Minerals Canada Ltd	P.Eng.
Eugene Puritch	P&E Mining Consultants Inc.	P.Eng.
David Penswick	Gibsonian Inc	P.Eng.
Kebreab Habte		

Golder Associates

P.Eng.

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 focused on advancing pre-construction and exploration 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 1.1B pounds of zinc and 1M ounces of gold in the Measured & Indicated Mineral Resource categories, with additional upside potential. Aquila has received all State and Federal permissions required for the construction and commencement of operations at the Back Forty Project.

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.

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 additional upside potential of the Project and the potential for underground mining activities at the Project and benefits associated therewith, statements with respect to the expected project economics for the Project, such as estimates of life of mine, total production and average production, metal production and recoveries, C1 cash costs, AISC, capital and operating costs, pre- and post-tax IRR, pre- and post-tax NPV and cash flows, the potential conversion of Inferred Mineral Resources into Indicated Mineral Resources, any projections outlined in the Feasibility Study in respect of the Project, the permitting status of the 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 most recent annual information form 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.

Non-IFRS Measures

C1 cash costs, AISC, EBITDA and free cash flow are non-IFRS financial measures calculated by the Company as set forth below, and may not be comparable to similar measures reported by other companies.

C1 cash costs, which are intended to measure direct cash costs of producing paid metal, include all direct costs that would generate payable recoveries of metals for sale to customers, including mining of mineralized materials and waste, leaching, processing, refining and transportation costs, on-site administrative costs and royalties, net of by-product credits. C1 cash costs do not include depreciation, depletion, amortization, exploration expenditures, reclamation and remediation costs, sustaining capital, financing costs, income taxes, or corporate general and administrative costs not directly or indirectly related to the Project. C1 cash costs are divided by the number of ounces of gold or pounds of zinc, as applicable, estimated to be

produced for the period to arrive at cash costs per gold ounce or zinc pound produced.

AISC includes C1 cash costs, as defined above, plus exploration costs at the Project and sustaining capital expenditures (including additional leach pads, permitting and customary improvements to the operations over the life of the project). AISC is divided by the number of ounces of gold or pounds of zinc, as applicable, estimated to be produced for the period to arrive at AISC per gold ounce or zinc pound produced.

EBITDA is earnings before interest, taxes, depreciation, and amortization.

Free cash flow is cash flows from operations less all capital investments including closure costs.

SOURCE [Aquila Resources Inc.](#)

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