

Aquila Resources Announces Second Quarter 2018 Financial Results

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TORONTO, Aug. 10, 2018 - [Aquila Resources Inc.](#) (TSX: AQA) ("Aquila" or the "Company") announced the filing of its financial results for the second quarter ended June 30, 2018. All amounts, unless indicated, are reported in U.S. dollars.

"Aquila has successfully accomplished two major milestones in 2018," said Barry Hildred, President and Chief Executive Officer of Aquila. "First, the Company received the Wetlands Permit, which is the final State and Federal permit required for the commencement of operations at Back Forty. Second, Aquila completed the Back Forty open pit Feasibility Study with robust economics. We have now turned our focus to the pre-construction phase at Back Forty where we will continue to advance engineering activities, build our team, and conduct an exploration program to expand the resource."

SECOND QUARTER HIGHLIGHTS

- On June 4, 2018, the Company announced that it received its wetland/stream/floodplain permit (the "Wetlands Permit") from the Michigan Department of Environmental Quality (the "MDEQ") for its Back Forty Project in Michigan (the "Project"). The Wetlands Permit was issued inclusive of specific conditions, including those requested by the United States Environmental Protection Agency (the "EPA") on May 3, 2018. Aquila has now received all State and Federal permissions required for the construction and commencement of operations at the Back Forty Project. The Company had already received the three other required State permits which include the Nonferrous Metallic Mineral Mining Permit, the National Pollutant Discharge Elimination System Permit, and the Air Use Permit to Install.
- On May 3, 2018, the EPA provided supplementary comments to the MDEQ regarding the Company's Wetlands Permit application for the Project.
- As at June 30, 2018, Aquila had cash of \$12.6 million and working capital of \$10.9 million. This compared to cash of \$17.2 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 finalization of the Feasibility Study.

POST QUARTER HIGHLIGHTS

- On August 1, 2018, the Company announced the results of an independent open pit only Feasibility Study (the "Feasibility Study") for its Back Forty Project. The Feasibility Study demonstrated robust economics including a pre-tax NPV at a 6% discount rate of \$259M and an IRR of 32.0% at base case metal prices of \$1,300/oz gold, \$1.20/lb zinc, \$20/oz silver, \$3.00/lb copper and \$1.00/lb lead. On an after-tax basis, the Project generates an after-tax NPV at a 6% discount rate of \$208M and an IRR of 28.2% with a 2.2 year payback. The Company has also identified a number of opportunities to further enhance the overall economics of the Project including the future addition of an underground expansion.
- 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.
- In July 2018, the Company initiated an exploration drilling program at Back Forty that will seek to expand the known resource, test additional targets, and further define the underground potential of the deposit, where mineralization remains open at depth.

OUTLOOK

- In 2018, 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.
- Pre-construction activities including basic and detailed engineering will continue at the Back Forty Project.
- The Company will advance its exploration program at Back Forty.
- The Company will continue to evaluate an underground mine expansion design and business case. A Preliminary Economic Assessment is expected to be published in a future period.
- In addition to recently filled positions, the Company will continue to add to its leadership team to prepare for the construction and operational readiness phases of the Back Forty Project.
- The Company is also evaluating its strategy with respect to its early stage exploration projects in Wisconsin in light of the recent repeal of the decades-old moratorium on non-ferrous mining in the state.
- 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.

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 and six months ended June 30, 2018:

	Three months ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Administrative expenses	\$1,257,305	\$658,979	\$2,409,659	\$1,619,644
Mineral property exploration expenses	2,067,182	1,773,855	3,401,955	3,094,556
Net finance charges	643,046	1,064	1,035,527	2,124
Loss from operations	3,967,533	2,433,898	6,847,141	4,716,324
Gain (loss) on foreign exchange	(131,136)	118,926	(328,435)	200,759
Gain on change in value of contingent consideration	486,975	21,882	462,505	(10,378)
(Gain) loss on change in fair value of warrant liability	118,261	(194,358)	(107,204)	229,205
Net and comprehensive loss for the period	4,441,633	2,380,348	6,874,007	5,135,910
Net loss per share - basic and diluted	0.01	0.01	0.02	0.02

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 of information. Furthermore, Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

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