

Aquila Resources Announces First Quarter 2020 Financial Results

15.05.2020 | [Business Wire](#)

[Aquila Resources Inc.](#) (TSX:AQA, OTCQB: AQARF) (Aquila; or the Company;) announced the filing of its financial results for the first quarter ended March 31, 2020. All amounts, unless indicated, are reported in US dollars.

As always, our priority is ensuring the health and safety of our employees and our local community. I am pleased to confirm that we have had no cases of COVID-19 to date; said Barry Hildred, President and Chief Executive Officer of Aquila. While working from home, we continue to focus on managing spend while advancing financing discussions in order to fund ongoing operations and development at Back Forty. Although the metals markets have experienced extreme volatility this quarter, we feel that the current environment is constructive for gold outperformance. This would benefit the Back Forty Project, which contains over 1 million ounces of gold in the Measured & Indicated Mineral Resource categories. Our focus continues to be closing our interim financing and clearing remaining legal hurdles to get Back Forty shovel-ready;

FIRST QUARTER HIGHLIGHTS

- The most important highlight is that Aquila has had no confirmed or presumptive cases of the COVID-19 virus at any of the Company's offices or at the Back Forty site. Aquila's top priority is maintaining the health and safety of its employees and local communities. Aquila's team has implemented a work from home policy and travel freeze initiative to minimize exposure to the virus and is following the guidelines and directions set out by the local public health authorities.
- The Company progressed certain Back Forty pre-construction activities including environmental fieldwork and site data collection.
- The Company continued with its evaluation of underground mining following an open pit operation at Back Forty as outlined in the August 2018 Feasibility Study. The Company is also assessing various alternatives for downsizing the processing plant that better aligns open pit plant and potential future underground throughputs.
- In January 2020, in a unanimous decision, the United States Court of Appeals for the Seventh Circuit (the Appeals Court;) upheld the dismissal of a lawsuit related to Aquila's Wetlands Permit brought by the Menominee Indian Tribe of Wisconsin (the Tribe;) in the State of Wisconsin.
- In February 2020, Mr. Dave Anderson, the Company's Director of Environment and Regulatory Affairs, was appointed General Manager.
- As at March 31, 2020, Aquila had cash of \$2.5 million and working capital of \$0.6 million. This compared to cash of \$4.0 million and working capital of \$1.6 million at December 31, 2019. The decrease in working capital is primarily due to the funding of the Company's pre-construction activities. The Company has been focused on securing interim financing and on required permitting activities. In light of COVID-19, the Company has implemented additional cost savings measures including temporary layoffs and temporary salary reductions for senior management.

POST QUARTER HIGHLIGHTS

- In May 2020, in a unanimous decision, the Appeals Court denied an earlier request by the Tribe for a rehearing of its appeal related to Aquila's Wetlands Permit (refer to First Quarter Highlights;). Barring a successful petition to the United States Supreme Court for review, the Company believes this marks the end of the Tribe's federal challenge to the Back Forty Project.

OUTLOOK

- The Company is in active discussions with existing partners, advisors and outside investors to secure interim financing to complete pre-construction activities. As part of these discussions, Aquila has been negotiating with Osisko Gold Royalties to amend certain terms of the Back Forty gold and silver streams. The negotiations are focused on revising certain stream default dates, covenants, and economic terms including the timing of remaining deposits. During the quarter, the Company and a subsidiary of Osisko Gold Royalties (Osisko) executed a term sheet in respect of these amendments. Aquila and Osisko are now working towards executing definitive documents. Closing of the Osisko transaction is subject to Aquila raising additional financing, which discussions are at an advanced stage. There can be no assurance that the Company will be able to execute an agreement with Osisko Gold Royalties nor to close on any funding solution.
- The Company will continue to progress certain Back Forty pre-construction activities including environmental fieldwork and site data collection. Aquila is continuing with its evaluation of underground mining following an open pit operation at Back Forty as outlined in the August 2018 Feasibility Study. The Company also plans to update the Feasibility Study and continue to seek to optimize the Project while working to achieve shovel-ready status for Back Forty.
- The Company has received the four key permits required to commence construction and operations at Back Forty. The Company is awaiting a decision by an administrative law judge regarding the contested case challenge to its Wetlands Permit, which is expected later in 2020. The Company is also working to secure additional permits prior to construction, including a Dam Safety Permit.
- Operational readiness activities including advancing plans with respect to roads, power, and concentrate logistics are underway.
- Considering COVID-19, the Company determined to defer its annual general meeting. The meeting will be held later in 2020 and will either be held virtually or in person when it is safe to do so.
- The Company is also evaluating its strategy and funding alternatives with respect to its exploration projects in Wisconsin, including its high-grade Reef gold property and its Bend copper-gold property, in light of the recent repeal of the decades-old moratorium on non-ferrous mining in the state.

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 quarter ended March 31, 2020:

	Three months ended	
	March 31, 2020	
	2020	2019
Mineral property exploration expenses	\$ 712,160	\$ 1,043,283
Administrative expenses	804,227	1,250,683
Net finance charges (recoveries)	170,598	696,666
Loss from operations	\$ 1,686,985	\$ 2,990,632
(Gain) loss on foreign exchange	(984,234)	(91,999)
Loss (gain) on change in value of contingent consideration	220,913	63,768
(Gain) loss on change in fair value of warrant liability	(163,054)	(47,058)
Net and comprehensive loss for the period	\$ 760,610	\$ 2,915,343
Net loss per share - basic and diluted	-	0.01

ABOUT AQUILA RESOURCES

[Aquila Resources Inc.](#) (TSX:AQA, OTCQB: AQARF) 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 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.

The Company has two other exploration projects: Reef Gold Project located in Marathon County, Wisconsin and the Bend Project located in Taylor County, Wisconsin. 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 may contain 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.

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 found 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.

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