

# Aquila Resources Announces Second Quarter 2020 Financial Results

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[Aquila Resources Inc.](#) (TSX: AQA, OTCQB: AQARF) (Aquila or the Company) announced the filing of its financial results for the second quarter ended June 30, 2020. All amounts, unless indicated, are reported in US dollars.

Barry Hildred, President & CEO of Aquila, commented, "During the second quarter, our team focused on prudently managing spend while finalizing amendments to the Company's gold and silver streaming agreements, which closed successfully in June. More recently, our operations have begun to normalize as we prepare for drilling programs and increased site activities at our projects in upcoming periods. We are also actively engaged with local regulators regarding permitting activities."

## SECOND QUARTER HIGHLIGHTS

- 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 is following the guidelines and directions set out by the local public health authorities.
- In June 2020, the Company announced that it entered into definitive agreements to amend certain terms of its gold and silver purchase agreements with a subsidiary of [Osisko Gold Royalties Ltd.](#) in order to accelerate Aquila's access to a portion of the outstanding funding under the gold purchase agreement and to provide additional flexibility.
- 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, culminating with the announcement of results of the positive Back Forty Preliminary Economic Assessment (PEA) on August 5, 2020.
- The Company progressed certain Back Forty pre-construction activities including environmental fieldwork and site data collection.
- The Company noted that an error occurred in the first quarter computation of foreign exchange related to cash. As a result, both cash at March 31, 2020 and the foreign exchange gain for the three month period ended March 31, 2020 were overstated by approximately \$592,000. This error was discovered during the preparation of the second quarter financial statements and corrected in the financial statements for the three and six month period ended June 30, 2020. As a result, foreign exchange loss for the three month period ended June 30, 2020 is overstated by \$592,000. There is no impact to the foreign exchange loss for the six month period ended June 30, 2020.
- As at June 30, 2020, Aquila had cash of \$4.0 million and working capital of \$1.8 million. This compared to cash of \$4.0 million and working capital of \$1.6 million at December 31, 2019. The increase in working capital is primarily due to the funding advanced under the terms of the Company's amended stream agreements of \$2.4 million as well as \$931,508 received from the Company's successful Notice of Objection appeals with the Canada Revenue Agency. The Company has been focused on securing interim financing and on required permitting activities.

## POST QUARTER HIGHLIGHTS

- On August 5, 2020, the Company announced the results of the PEA. Key highlights include:
  - Robust economics: After-tax NPV at a 6% discount rate of \$176.3 million (approximately CA\$235 million) with 26.1% IRR at long term consensus metal prices including \$1,485 per ounce gold<sup>1</sup>
  - Significant leverage to gold: After-tax NPV of \$316.3 million at a 6% discount rate (approximately CA\$422 million) with 37.8% IRR at recent spot prices including \$1,998 per ounce gold with gold generating 52% of revenue<sup>2</sup>
  - Includes the known underground Mineral Resources at Back Forty, increasing the life of mine to 12 full years
  - Life of mine production of over 1.5 million gold equivalent ounces with production in Year 1 of 206,000 gold equivalent ounces
  - The PEA mine plan consists of open pit mining from Year 1 to Year 5. Underground development will be initiated in Year 5 and underground mining will continue to Year 11. Remaining stockpiles will be processed in Year 12 and a partial Year 13
  - Pre-production capital costs of \$250.4 million benefitting from significant nearby infrastructure
  - Potential value enhancement through additional exploration as the deposit remains open at depth
- In August 2020, the Company hired Mike Foley as Director of Environment & Infrastructure. Mr. Foley has 32 years of experience as a Civil Engineer in the Upper Peninsula of Michigan and northern Wisconsin. Over the last several years, he served as a Senior Project Manager for Coleman Engineering Company (&#8220;Coleman&#8221;), where he was the lead Coleman contact for a number of mining, industrial, utility and municipal clients. Mr. Foley has a Bachelor of Science Degree in Civil Engineering (with an Environmental emphasis) from Michigan Technological University and is a licensed Professional Engineer in both Michigan and Wisconsin.
- In August 2020, the Company hired Bob Mahin as Director of Exploration. Mr. Mahin is a senior level geologist with thirty years of progressive experience guiding mineral exploration programs. Since 1990, Mr. Mahin has been based in Michigan&#8217;s Upper Peninsula and has gained progressive experience from fieldwork to managing multi-million dollar exploration programs in the pursuit of gold and base metals. Mr. Mahin worked at Aquila from 2002-2011 as Senior Exploration Geologist where he led three major drilling campaigns at Back Forty. In 2009, he received his Certified Professional Geologist accreditation from the American Institute of Professional Geologists and is an NI 43-101 Qualified Person in Mineral Resources and exploration programs. He joined the Eagle nickel-copper project in the Upper Peninsula as the Senior Mine/Resource Geologist in 2011 and progressed to Chief Geologist. From 2013 to 2020, Bob was Eagle Mine&#8217;s Senior Manager for Exploration and ushered the discovery of a satellite ore deposit near Eagle, which is now in production.
- In July 2020, Mike Welch, the Company&#8217;s Chief Operating Officer, resigned to pursue other interests.

## OUTLOOK

- With the completion of the PEA, the Company will continue to progress certain Back Forty pre-construction activities including environmental fieldwork and site data collection. Aquila is also completing plans for a drilling program at Back Forty, which will be followed by a resource update. The resource update will form the basis for an updated feasibility study that is expected to be completed in 2021.
- The Company has received the four primary 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.
- 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.

## 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 June 30, 2020:

Three months ended		Six Months Ended	
June 30		June 30	
2020	2019	2020	2019

Mineral property exploration expenses	(\$ 190,654)	\$ 2,164,885	\$ 521,506	\$ 3,208,168
Administrative expenses	845,826	1,170,077	1,650,053	2,420,760
Net finance charges (recoveries)	2,561,415	608,668	2,732,013	1,305,334
Loss from operations	\$ 3,216,587	\$ 3,943,630	\$ 4,903,572	\$ 6,934,262
(Gain) loss on foreign exchange	791,227	79,162	(193,007)	(12,837)
Loss (gain) on change in value of contingent consideration	15,692	98,720	236,605	162,488
(Gain) loss on change in fair value of warrant liability	117,990	(302,564)	(45,064)	(349,622)
Net and comprehensive loss for the period	\$ 4,141,496	\$ 3,818,948	\$ 4,902,106	\$ 6,734,291
Net loss per share - basic and diluted	0.01	0.01	0.03	0.02

#### About Aquila

[Aquila Resources Inc.](#) (TSX: AQA, OTCQB: AQARF) is a development stage company focused on high grade and gold-rich projects in the Upper Midwest, USA. Aquila's experienced management team is focused on advancing pre-construction activities for its 100%-owned gold and zinc-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. Back Forty contains approximately 1.1 million ounces of gold and 1.2 billion pounds of zinc in the Measured & Indicated Mineral Resource classifications, with additional upside potential.

Aquila 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. Additional disclosure of Aquila's financial statements, technical reports, material change reports, news releases and other information can be obtained at [www.aquilaresources.com](http://www.aquilaresources.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Cautionary statement regarding forward-looking information

This press release may contain certain forward-looking statements. 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". Forward-looking statements and information include, but are not limited to, statements with respect to future permitting and legal timelines and the advancement of the Company's Back Forty Project, the additional upside potential of the Project, 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, and any projections outlined in the Preliminary Economic Assessment in respect of the Project. 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, including but not limited to: risks with respect to the COVID-19 pandemic; and other related risks and uncertainties, including, but not limited to, risks and uncertainties disclosed in Aquila's filings on its website at [www.aquilaresources.com](http://www.aquilaresources.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). Aquila undertakes no 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.

<sup>1</sup> Base case price deck: Gold \$1,485/oz, Zinc \$1.08/lb, Copper \$3.05/lb, Silver \$18.20/oz, Lead \$0.91/lb.

<sup>2</sup> Spot case price deck: Gold \$1,998/oz, Zinc \$1.04/lb, Copper \$2.92/lb, Silver \$25.00/oz, Lead \$0.83/lb.

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