# Aquila Resources Provides Corporate Update

27.01.2021 | Business Wire

Highlights

- Appealed the Judge's Wetlands Permit decision to the EGLE permit review panel
- Received an outpouring of local support from senior leadership in Michigan
- Will continue to work with EGLE to finalize the Back Forty groundwater model in support of a revised application seeking a reissuance of the Wetlands Permit
- Will undertake optimization studies to assess Project opportunities
- Evaluating financing alternatives with support from key stakeholders

Aquila Resources Inc. (TSX: AQA, OTCQB: AQARF) ("Aquila" or the "Company") is pleased to provide an update on its strategy to advance its Back Forty Project in Michigan's Upper Peninsula following the January 4, 2021 decision by an Administrative Law Judge ("Judge") denying the prior issuance of a wetland/stream/floodplain permit ("Wetlands Permit"). The Michigan Department of Environment, Great Lakes, and Energy ("EGLE") issued the Wetlands Permit to the Company in June 2018 following years of environmental baseline work and a thorough review process including comment periods and public hearings and review by the U.S. Environmental Protection Agency. Aquila believes that the Judge's decision was based largely on a strict interpretation of the administrative completeness of the permit application rather than a specific view on the Project itself. As Aquila has been proactive in addressing the initial permit conditions since the issuance of the Wetlands Permit, the Company believes the Judge's decision only represents a temporary setback for the Project.

Barry Hildred, President & CEO of Aquila, commented, "While we were disappointed by the Judge's decision, we have a high level of confidence that there is a clear path to successfully permitting the Back Forty Project, regardless of the outcome of our appeal. Our relationship with EGLE is strong and we have made good progress addressing the conditions in the original Wetlands Permit. Given the current uncertain economic climate, we believe that projects like Back Forty are even more critical to providing the jobs and community support that Michigan needs, while at the same time protecting the environment."

Appeal to EGLE Environmental Review Panel

Aquila has appealed the Judge's decision to the EGLE environmental review panel ("Panel"). EGLE will convene a three-person panel of experts with relevant experience within 45 days. The Panel will then hear arguments and is expected to render a decision later in 2021. The Panel has the authority to adopt, remand, modify, or reverse, in whole or in part, the Judge's decision. The decision of the Panel will become the final decision of EGLE.

Through its appeal, at a minimum, Aquila is seeking to clarify certain aspects of the decision to facilitate further permitting efforts for the Back Forty Project. The Judge found Aquila's Wetlands Permit application to be administratively incomplete due to alleged lack of an agreed upon groundwater model and lack of reliable identification of potential indirect wetland impacts related to groundwater drawdown caused by pit dewatering. The Judge's determination that the Project is not in the public interest and that Aquila's alternatives analysis was inadequate was largely based on the same alleged lack of information about indirect wetland impacts. As such, even though Aquila has been working with EGLE to satisfy permit conditions requiring further data collection and groundwater modeling to validate previous conclusions regarding indirect impacts, the Judge found that the statute required Aquila to provide all of the information before a permit could be issued.

Notably, the Company believes that there is nothing in the decision that would prevent Aquila from obtaining a Wetlands Permit for the same or a similar mine plan.

While the appeal is in process, the Company requested, and has been granted, a stay of proceedings of the contested case related to the amended Mining Permit.

The Back Forty Project Continues to Receive Strong Support from Local Leadership

Aquila is pleased to highlight the support that the Back Forty Project has received locally.

A delegation of Upper Peninsula lawmakers including Sens. Ed McBroom and Wayne Schmidt, and Reps. Greg Markkanen, Beau LaFave, and Sara Cambensy expressed their support for responsible mining and the Back Forty Project in a joint statement:

Mining has been a critical component of the Upper Peninsula way of life for generations. Our state has enacted some of the most stringent mining and environmental regulations in the world to ensure that Michigan mines must operate as good stewards and valued parts of our local communities.

Through a rigorous process with EGLE, this permit was rightly approved, and we remain hopeful that the department will work with Aquila to address this wrongful rejection of the permit…. We vow to work together in stressing the importance of this project and reasonable regulations overall, as one U.P., to ensure that one judge's decision is not the policy position advanced in Michigan. Our communities want and support mining in the U.P. now as in the past generations.

In a letter to the Company dated January 20, 2021, Tony Retaskie, Executive Director of the Upper Peninsula Construction Council ("UPCC"), a group made up of over 250 quality construction contractors located across the Upper Peninsula of Michigan, stated:

On behalf of the U.P. Construction Council, I'm sorely disheartened by the rejection of your Wetlands Permit Application.

Our Labor/Management Council, made up of nearly 3,500 members, fully supports responsible mining such as what Aquila Resources proposes with the Back Forty Project. We realize the positive economic spiral this project would create for the Upper Peninsula. With an initial capital investment of $250 million and a life of mine payroll estimated to exceed $280 million, the Back Forty Mine would directly and indirectly create hundreds of jobs, including construction hires, paying solid, family sustaining wages. The Project will also contribute greatly to Michigan and local budgets as a major tax and royalty payer.

Mined products, as you know, are everywhere in our daily lives, from beauty products, to transportation and cell phones. The UPCC would prefer these products be mined here, where we have some of the strongest mine regulations there are.

Although we are disappointed with the judge's decision, we urge you to continue your efforts to advance the Project to the operations phase and we pledge our support for the Back Forty Project.

The Company will Continue to Work with EGLE to Secure a Reissued Permit

It has always been the Company's intention to satisfy the original Wetlands Permit conditions and Aquila has made significant progress over the last two years in this respect. In particular, data collection and interpretation related to the groundwater model is substantially complete. In parallel with its appeal, Aquila will continue to work closely with EGLE to reach consensus on the groundwater model. Once EGLE has accepted the Company's model, EGLE will be in a position to evaluate a revised permit application and reissue the Wetlands Permit.

Project Optimization Studies

As the Company works through the appeal and continues its collaboration with EGLE in support of a revised Wetlands Permit application, the Company will conduct optimization studies that will seek to evaluate areas of opportunity identified in the Company's 2020 Preliminary Economic Assessment. These include opportunities to increase gold recoveries in light of improved metal prices and optimizing the mine plan to enhance economics and reduce the open pit strip ratio. Fortunately, once EGLE has accepted the foundational groundwater model, the model can be applied in the context of any potential improvements to the Project.

Financing Update

Over the past several weeks, Aquila management has had numerous discussions with its key stakeholders including Osisko Gold Royalties Ltd. The stakeholders have reaffirmed their support for the Project and they share Aquila's view that while the Judge's decision represents a temporary setback, the Back Forty Project will be successfully permitted and built.

Aquila is working with its key stakeholders and its financial advisor to secure capital that will enable the Company to advance the above initiatives as well as to fund exploration activities at its Reef and Bend projects in Wisconsin.

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 or on SEDAR at 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 and on SEDAR at 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.

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