

# Aquila Resources Inc. Announces Third Quarter 2021 Financial Results

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[Aquila Resources Inc.](#) (TSX: AQA, OTCQB: AQARF) ("Aquila" or the "Company") announces the filing of its financial results for the third quarter ended September 30, 2021. All amounts, unless indicated, are reported in US dollars.

Guy Le Bel, President & CEO of Aquila, commented, "This past quarter has been transformational for Aquila. Since announcing the proposed acquisition of the Company by Gold Resource Corporation in September, our team has been working closely with our counterparts to ensure a smooth closing of the Transaction following the upcoming Aquila Shareholder Meeting. We are excited to start a new chapter as part of a multi-jurisdictional, diversified precious and base metal producer with an attractive growth profile underpinned by the Back Forty Project. We thank our shareholders for their strong support of Company over the years. During the quarter, Aquila also continued to progress the optimized Feasibility Study for the Project, which remains on track for completion in the coming months."

## THIRD QUARTER HIGHLIGHTS

- On September 7, 2021, Aquila announced the entering into of a binding letter agreement (the "Letter Agreement") with Gold Resource Corporation ("GORO") (NYSE American: GORO) setting out certain key terms of a proposed acquisition by GORO of all the issued and outstanding common shares of Aquila by way of a plan of arrangement under the Business Corporations Act (Ontario) (the "Transaction"). Pursuant to the Transaction, GORO will acquire all the issued and outstanding Aquila shares for 0.0399 of a GORO share per Aquila share (the "Exchange Ratio"). Based upon the 20-day volume-weighted average price ("VWAP") of GORO's shares on the NYSE American stock exchange on September 3, 2021, being the last trading day prior to the date of the Letter Agreement, the Exchange Ratio represents a 29% premium to the 20-day VWAP of Aquila's shares on the Toronto Stock Exchange as of such date. The Exchange Ratio represents consideration of C\$0.09 per Aquila share (the "Per Share Price"), reflecting a premium of 12.5%, based upon the closing prices of the Aquila shares and the GORO shares on September 3, 2021.
- On August 16, 2021, Aquila announced that a subsidiary of [Osisko Gold Royalties Ltd.](#) ("OGR") agreed to immediately release \$2.4 million (the "Fourth Deposit") to the Company under the Amended and Restated Gold Purchase Agreement dated as of March 10, 2021. The Fourth Deposit will be used for the continued advancement of the Back Forty Project Optimized Feasibility Study and demonstrates OGR's strong support for the Back Forty Project.
- On August 16, 2021, Aquila also announced that Guy Le Bel, President and CEO of the Company, was appointed to the Board of Directors.
- As at September 30, 2021, Aquila had cash of \$2.3 million and negative working capital of \$0.6 million. This compared to cash of \$1.8 million and negative working capital of \$0.8 million at December 31, 2020. The decrease in working capital is primarily due to permitting and legal activities at its Back Forty Project. The Company is actively evaluating financing and strategic alternatives and continues to take measures to preserve liquidity including cutting discretionary spending, and working with service providers to manage and defer spend wherever possible.

## POST QUARTER HIGHLIGHTS

- On October 6, 2021, Aquila announced that it entered into a definitive arrangement agreement (the "Arrangement Agreement") with GORO in connection with the Transaction. The Aquila management team and Board of Directors believe strongly that the Transaction outlined in the Arrangement Agreement provides significant benefits to Aquila shareholders. GORO has a strong balance sheet, it owns a consistently profitable mine in the Americas, and it has a highly accomplished technical and operating team. As such, this Transaction materially de-risks the financing and development of the Back Forty Project for the benefit of the Company's stakeholders. The Transaction requires the approval of (i) 66% percent of the votes cast by Aquila shareholders and (ii) a simple majority of the votes cast by the minority shareholders (excluding shareholders whose votes are required to be excluded pursuant to Multilateral Instrument 61 - 101) at a special meeting of shareholders (the "Aquila Shareholder Meeting"). The Aquila Shareholder Meeting is scheduled to be held on November 17, 2021. Each of Orion Mine Finance and Hudbay Minerals Inc., which hold 28.3% and 10.4%, respectively, of the issued and outstanding Aquila shares, has entered into a voting support agreement with GORO pursuant to which they have agreed to vote their Aquila shares in favour of the Transaction. In addition, all of the directors and officers of Aquila holding approximately 1.9% of the issued and outstanding Aquila shares in aggregate have also executed a voting support agreement. The Aquila Board of Directors unanimously recommends that Aquila Shareholders vote FOR the Arrangement Resolution.
- On November 8, 2021, Aquila announced that leading independent international corporate governance analysis and proxy advisory firm Institutional Shareholder Services recommended that Aquila shareholders vote FOR the Arrangement Resolution in advance of the Aquila Shareholder Meeting.
- On October 5, 2021 Aquila announced that it has closed the previously announced transaction (the "GL Transaction") to sell its Bend and Reef properties in Wisconsin to Green Light Metals Inc. ("GL"). Total consideration of C\$7,000,000 payable to Aquila consists of: (i) upfront cash consideration of C\$2.1 million, of which C\$1 million was advanced as a deposit upon the execution of the letter of intent with respect to the Transaction in June 2021 and the remaining C\$1.1 million was paid at closing and (ii) a non-interest bearing promissory note of GL in the principal amount of C\$4.9 million.

## OUTLOOK

- In connection with the GORO Transaction, the Aquila Shareholder Meeting is scheduled to be held on November 17, 2021. The Transaction is also subject to approval by the Ontario Superior Court of Justice (Commercial List) and applicable stock exchange approvals. The Transaction does not require the approval of GORO's shareholders. In addition to shareholder, court and regulatory approvals, the Transaction is also subject to the satisfaction of certain other closing conditions that are customary for a transaction of this nature, and each of GORO and Aquila has provided appropriate interim period covenants regarding the operation of its business in the ordinary course. Subject to all conditions precedent to completion of the Transaction being met, the Transaction is expected to close in late November 2021. In connection with the closing of the Transaction, Aquila will apply to have its shares delisted from the Toronto Stock Exchange.
- The Company is continuing to advance its Back Forty Project in Michigan, where the main objectives are completing an optimized Feasibility Study (the "Feasibility Study") and securing the remaining permits required for construction and operations. The Feasibility Study will incorporate both the open pit and underground mine plans and will reflect Aquila's commitment to sustainability and responsible mining employing industry best practices.
- A key objective of the Feasibility Study is to incorporate feedback from the Michigan Department of Environment, Great Lakes & Energy ("EGLE") and the local community since the original permits were issued. By incorporating the underground mine plan and modifying the Project footprint, the Company expects to demonstrate substantially reduced surface impact, including wetland impacts, and a longer mine life for the benefit of all stakeholders.
- The Company will continue to work with EGLE to finalize the Back Forty groundwater model. Aquila is pleased with the significant progress made in this regard and continues to collect the required site-specific data.
- Following the completion of the Feasibility Study, Aquila will seek to permit the optimized Project design.

## 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 September 30, 2021:

	Three months ended	Nine Months Ended
	September 30,	September 30,

	2021	2020	2021	2020
Mineral property exploration expenses	\$593,946	\$537,696	1,631,276	\$1,059,202
Administrative expenses	641,512	742,633	1,886,813	2,393,686
Net finance charges	427,070	405,214	1,284,443	3,137,227
Loss from operations	\$1,662,528	\$1,685,543	\$4,802,532	\$6,590,115
(Gain) loss on foreign exchange	(150,352)	51,227	(8,234)	(141,780)
Loss (gain) on change in value of contingent consideration	(9,468)	6,580	(53,519)	243,185
Gain on change in fair value of warrant liability	-	(88,000)	(5,430)	(133,064)
Net and comprehensive loss for the period	\$1,502,708	\$1,655,350	\$4,735,349	\$6,558,456
Net loss per share - basic and diluted	0.00	0.00	0.01	0.02

#### ABOUT AQUILA

[Aquila Resources Inc.](#) (TSX: AQA, OTCQB: AQARF) is a development stage company focused on high grade polymetallic projects in the Upper Midwest, USA. Aquila's experienced management team is currently advancing pre-construction activities for its flagship 100% owned gold and zinc rich Back Forty Project in Michigan.

The Back Forty Project is a volcanogenic massive sulfide deposit with open pit and 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 exploration upside. An optimized Feasibility Study for the Project is underway.

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". In particular, this news release contains forward-looking information pertaining to the following: the ability of the Company to close the Transaction on the terms outlined in the LOI or at all, the ability of Newco to list on the TSX-V, plans related to the Back Forty Project optimized feasibility study and permitting, the ability of the Company to complete a financing or strategic transaction, the ability of the Company to satisfy subsequent drawdown conditions under the Gold Stream, and other development plans and objectives. 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.

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