

Aquila Resources Announces Third Quarter 2019 Financial Results

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Shares Outstanding: 338,284,556

TORONTO, Nov. 8, 2019 - [Aquila Resources Inc.](#) (TSX: AQA, OTCQB: AQARF) ("Aquila" or the "Company") announced the filing of its financial results for the third quarter ended September 30, 2019. All amounts, unless indicated, are reported in US dollars.

Barry Hildred, President & CEO of Aquila, commented, "During the quarter, we continued to focus on advancing certain permit amendments for Back Forty while completing site-specific work to satisfy conditions in compliance with existing permits. As we move into 2020, our focus is to clear remaining legal hurdles and to get Back Forty shovel-ready. In order to fund these activities, we continue to evaluate interim and long-term funding options, including certain strategic opportunities with a variety of partners."

THIRD QUARTER HIGHLIGHTS

- The Company is progressing certain Back Forty Project pre-construction activities including environmental fieldwork and site data collection. The Company also completed a geotechnical site investigation program including 1,200 meters of geotechnical drilling and hydrogeological testing in preparation for additional engineering activities.
- The Company 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 is also assessing various alternatives for downsizing the processing plant that better aligns open pit plant and potential future underground throughputs. This analysis will form the basis of an updated Preliminary Economic Assessment, the results of which Aquila expects to announce in the coming months.
- The Company advanced the legal process related to the contested case challenge to its Mining Permit for its Back Forty Project in Michigan. In the second quarter, the Michigan Office of Administrative Hearings and Rules issued a Final Decision and Order upholding the Michigan Nonferrous Metallic Mineral Mining Permit for its Back Forty Project in Michigan. Following 30 days of cumulative testimony, the administrative law judge issued a final decision finding "that the proposed mining operation will not pollute, impair, or destroy the air, water and other natural resources, or the public trust in those resources," in compliance with Michigan's Nonferrous Metallic Mining Statute. On May 28, 2019, the Petitioners filed a request for review by the Michigan Department of Environment, Great Lakes, and Energy ("EGLE") internal review board. Hearings and briefings were held during the months of August, September and October. The Company does not expect the review board to reach a different conclusion than the Judge.
- The Company continued to work with EGLE regarding the Company's application to amend its Mining Permit and Air Permit. Aquila expects the amended permits to be issued in the coming months.
- The Company advanced the legal process related to the contested case challenge to its Wetlands Permit. Rebuttal testimony was completed on October 25, 2019. The Company expects briefings and a final decision to follow mid-2020.
- The Company is in active discussions with existing partners, advisors and outside investors to secure both long-term project funding, and to secure interim financing to complete pre-construction activities. As part of its funding solution, the Company is reviewing certain strategic transactions. There can be no assurance that the Company will be able to execute and close on any funding solution.
- As at September 30, 2019, Aquila had cash of \$6.3 million and working capital of \$3.9 million. This compared to cash of \$14.4 million and working capital of \$12.1 million at December 31, 2018. The decrease in working capital is primarily due to the funding of the Company's pre-construction activities.

POST QUARTER HIGHLIGHTS

- On October 21, 2019, the U.S. District Court for the Eastern District of Wisconsin dismissed the lawsuit filed by Coalition to SAVE the Menominee River, Inc. (the "Coalition"). In November of 2018, the Coalition filed a lawsuit in the U.S. District Court for the Eastern District of Wisconsin challenging the EPA and the U.S. Army Corps of Engineers' failure to exercise jurisdiction over Aquila's Wetlands Permit for its Back Forty Project. The Court dismissed the lawsuit, holding that the Coalition could not challenge the federal government's refusal to exercise jurisdiction over the Wetlands Permit under the Administrative Procedures Act or the Clean Water Act.
- The Company continues to work with EGLE to secure issue of amendments to its Mining Permit and its Air Permit that reflect project optimizations, as well as a new Dam Safety Permit. The Company anticipates EGLE will approve the Mine and Air Permit amendments in the coming months. EGLE has informed the Company of EGLE's intention to defer review and processing of the Dam Safety Permit until 2020, in order to incorporate hydrogeological information currently being gathered under the Wetlands Permit into the Dam Safety Permit review. EGLE has encouraged the Company to withdraw its Dam Safety Permit application and resubmit the application in order to facilitate EGLE's preferred approach. At this point, the Company does not see this development as impacting preconstruction activities or the start date of construction.

OUTLOOK

- Pre-construction activities including engineering and construction readiness will continue to advance at Back Forty.
- Operational readiness activities including advancing plans with respect to roads, power, and concentrate logistics are underway.
- In addition to recently filled positions, the Company will continue to add resources to its owners' team to prepare for the construction and operational readiness phases at Back Forty.
- The Company will continue discussions with prospective financial partners to secure the required capital to construct 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.
- The Company is also evaluating its strategy and funding alternatives with respect to its exploration projects in Wisconsin 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 three months and nine months ended September 30, 2019:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------|-------------------|-------------|
| | September 30 | | September 30 | |
| | 2019 | 2018 | 2019 | 2018 |
| Mineral property exploration expenses | \$2,168,491 | \$1,935,172 | \$5,376,659 | \$5,377,127 |
| Administrative expenses | 1,025,997 | 1,289,473 | 3,446,757 | 3,699,132 |
| Net finance charges | 646,124 | 516,045 | 1,951,458 | 1,551,572 |
| Loss from operations | 3,840,612 | 3,740,690 | 10,774,874 | 10,627,831 |
| (Gain) loss on foreign exchange | (3,023) | 52,813 | (15,860) | (275,623) |
| Loss (gain) on change in value of contingent consideration | (476,224) | (50,102) | (313,736) | 412,403 |
| (Gain) loss on change in fair value of warrant liability | (444,123) | (1,298,287) | (793,745) | (1,405,491) |
| Net and comprehensive loss for the period | 2,917,242 | 2,445,114 | 9,651,533 | 9,359,120 |
| Net loss per share - basic and diluted | 0.01 | 0.01 | 0.03 | 0.03 |

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. Aquila has received all State and Federal permissions required for the construction and commencement of operations at the Back Forty Project.

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 proxy circular and its other public filings, copies of which can be found at www.aquilaresources.com. David Carey, Director of Corporate Development & Investor Relations, [Aquila Resources Inc.](#), Tel: 647 943 5677, Email: dcarew@aquilaresources.com, applicable 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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