

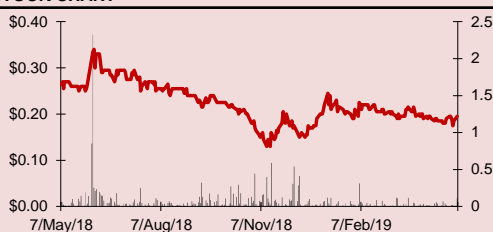
Aquila Resources Inc. (TSXV:AQA) Michigan Upholds Mining Permit

Company Update

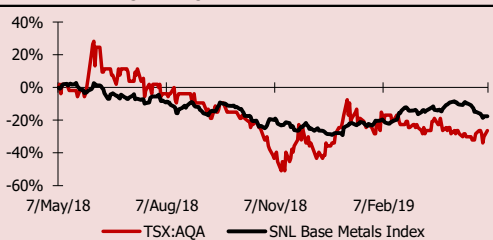
(Currency is C\$ unless noted otherwise)

Closing Price (C\$/sh)		\$0.20
52 Week Low / High (C\$/sh)	\$0.13 /	\$0.39
Net Asset Value Per Share (C\$/sh)		\$0.60
P/NAV		0.33x
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	338.0	391.4
Market Capitalization (\$MM)		\$65.9
Enterprise Value (\$MM)		\$46.3
Last Reported Cash (\$MM)		\$19.6
Total Debt (\$MM)		\$0.0

STOCK CHART



RELATIVE PERFORMANCE



NET ASSET VALUE	(C\$M)	(C\$/Sh)
Back Forty - Open Pit	\$298.69	\$0.45
Back-Forty - Underground	\$56.74	\$0.09
Taxes	(\$129.76)	(\$0.19)
Other Assets	\$10.00	\$0.02
<u>Corporate adjustments</u>	<u>\$164.27</u>	<u>\$0.25</u>
Total NAV	\$399.94	\$0.60

RELATIVE VALUATION	P/NAV
Explorer/Developer Peers*	0.40x
Producer Peers*	0.52x
AQUILA RESOURCES	0.33x

*Capital IQ Consensus

MAJOR SHAREHOLDERS

Management (1.77%), Osisko Gold Royalties Ltd (14.69%), Orion Mine Finance (14.02%), Ruffer LLP (12.76%), Hudbay Minerals Inc. (10.79%), CQS Investment Management. (2.21%)

DISCLOSURE CODE: 1,2
(Please refer to the disclosures listed on the back page)

Source: RCKS estimates, Company Information, Capital IQ

Company Description

Aquila Resources Inc. 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. The company was incorporated in 1997 and is headquartered in Toronto, Canada.

Impact: Mildly Positive

Aquila has announced a positive decision regarding the appeal of its Mining Permit. This update reinforces our view that the company is well positioned to transition from developer to producer and we expect that that with continued de-risking, particularly with respect to permits, Aquila is a likely takeout target. **We continue to believe Aquila is worth C\$0.36/sh and we expect the company to re-rate as it progresses towards production.**

Highlights:

- **Mining Permit upheld.** As per our expectation, the Michigan Department of Environment, Great Lakes and Energy has reached a final decision to uphold Aquila's mining permit, with the judge stating as part of the ruling "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."
- **One permit still under appeal, process should be expedited.** The Wetlands Permit is still being contested, and the evidentiary hearing is expected to start in Q2. We highlight that the judge that upheld the Mining Permit is also hearing the case against the Wetland's Permit. This familiarity could expedite the process. We do not include the potential for an expedited ruling in our estimates, which are based on all permitting appeals are completed by year-end allowing the company to start constructing the Back Forty Mine mid-2020.
- **Not just a permitting story.** While permitting has been a near-term focus for Aquila, the company continues to advance the project. In Q3 2019 we are expecting an updated PEA, which should demonstrate the underground potential of the project, and extend the mine-life beyond the 7.25 years considered in our model. Additionally, we expect the company to demonstrate the value of its Wisconsin assets this year.

Valuation:

Progressive de-risking should re-rate Aquila. We are maintaining our fair value estimate of C\$0.36/sh, based on 0.60x our NAVPS_{10%} estimate of C\$0.60. The company currently trades at 0.33x our NAVPS_{10%} estimate versus peers at 0.40x; an unwarranted discount because of the de-risked, high-margin nature of the project. We believe that as the company continues to de-risk the project, including resolving the current permit appeal, it should re-rate towards our fair value estimate. **Upcoming catalysts include:** 1) Further permitting updates 2) PEA Update (Q3/2019) and 3) Surfacing value of Wisconsin assets (2019).

FINANCIAL AND OPERATING SUMMARY: AQUILA RESOURCES INC

FINANCIAL DATA

Ticker	AQA
Current Price (C\$/sh)	C\$0.20
52 Week Low / High (C\$/sh)	\$0.13 / \$0.39
Shares Outstanding (M)	338.0
Market Capitalization (C\$M)	\$65.9
Cash & Cash Equivalents (C\$M)	\$19.6
Total Debt (C\$M)	\$0.0
Enterprise Value (C\$M)	\$46.3

FINANCIAL DATA

Capital Structure	Shares Millions
Shares Outstanding	338.0
Options	21.9
Warrants	31.6
Fully Diluted Shares	391.4

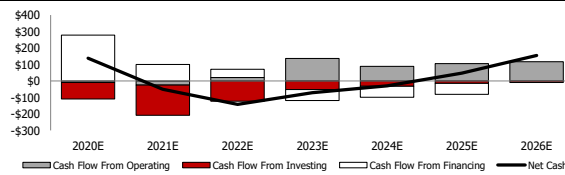
Ownership (April 2019)	Shares O/S (M)	% O/S
Management	6.00	1.77%
Osisko Gold Royalties Ltd	49.7	14.7%
Orion Mine Finance	47.4	14.0%
Ruffer LLP	43.1	12.8%
Hudbay Minerals Inc.	36.5	10.8%

Financial Summary (C\$)	2019E	2020E	2021E	2022E	2023E	2024E
Year-end December 31st						
Shares Outstanding (M)	338.0	650.5	650.5	650.5	650.5	650.5
EPS	(0.02)	0.00	0.00	0.00	0.00	0.00
CFPS	(0.02)	(0.02)	(0.04)	0.03	0.21	0.14
P/CF	(10.5)x	(10.8)x	(5.1)x	6.0x	0.9x	1.4x

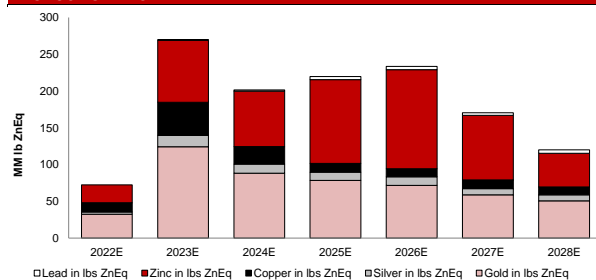
Income Statement (C\$M)	2019E	2020E	2021E	2022E	2023E	2024E
Revenue	0.0	0.0	0.0	102.6	383.7	284.0
Operating Expenses	0.0	0.0	0.0	32.5	122.1	114.1
Depreciation	0.0	0.0	0.0	18.5	66.4	65.7
General & Admin	6.3	7.5	7.5	7.5	11.0	8.1
General Exploration	0.0	0.0	6.3	6.3	6.3	5.9
Net Income	(6.3)	(9.4)	(25.0)	2.5	69.8	22.5

Balance Sheet (C\$M)	2019E	2020E	2021E	2022E	2023E	2024E
Cash & Equivalents	9.2	178.1	69.4	17.9	34.8	23.7
Debt	0.0	40.0	120.0	160.0	106.7	53.3

Cash Flow (C\$M)	2019E	2020E	2021E	2022E	2023E	2024E
Operating CF	(6.3)	(9.4)	(25.0)	21.0	136.2	88.3
Financing CF	(2.5)	(99.9)	(183.8)	(122.5)	(52.6)	(32.8)
Investing CF	0.0	278.1	100.0	50.0	(66.7)	(66.7)
Change in Cash	(8.8)	168.9	(108.8)	(51.5)	16.9	(11.1)

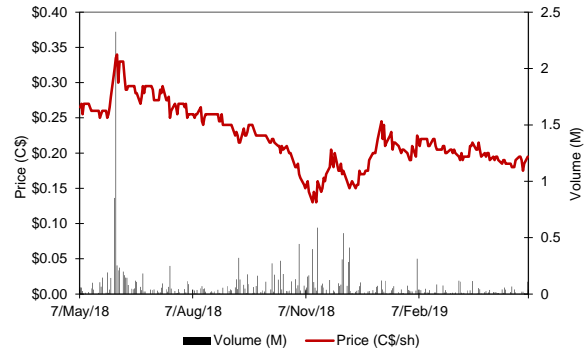


PRODUCTION PROFILE



Priced as of market close on May 6, 2019.

STOCK CHART



TECHNICAL ASSUMPTIONS

	2019E	2020E	2021E	2022E	2023E	2024E
Gold Price (US\$/oz)	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300
Silver Price (US\$/oz)	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00
Copper Price (US\$/lb)	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00
Zinc price (US\$/lb)	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
Lead price (US\$/lb)	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Canadian : US\$ exch	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80

RESOURCE ESTIMATE

	Tonnes (Mt)	Grade (% ZnEq)	Contained (Mlb ZnEq)
Reserves	11.65	6.7%	1,710.06
Measured and Indicated	16.62	7.7%	2,817.39
Inferred	1.13	8.6%	213.25

NET ASSET VALUE

	Discount Rate	(C\$M)	(C\$/Sh)
Back Forty - Open Pit	10%	\$ 299	\$ 0.45
Back-Forty - Underground		in-situ	\$ 57
Taxes	10%	(\$ 130)	(\$ 0.19)
Other Assets		in-situ	\$ 10
Corporate adjustments	10%	\$ 164	\$ 0.25
Total NAV		\$ 400	\$ 0.60

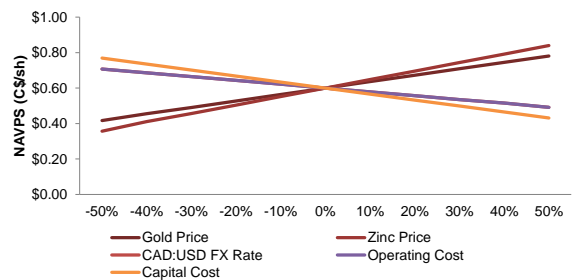
COMPARABLES (Consensus vs Our Estimates)

Company	Ticker	Price C\$	MC C\$M	EV C\$M	P/NAV	EV/lb ZnEq
Titan Mining Corpora	TSX:TI	\$0.50	\$51	\$76	0.37x	\$0.030
Osisko Metals Incorp	TSXV:OM	\$0.67	\$91	\$72	0.38x	\$0.007
Tinka Resources Lim	TSXV:TK	\$0.34	\$90	\$77	0.35x	\$0.007
NorZinc Ltd.	TSX:NZC	\$0.12	\$43	\$33	0.50x	\$0.003
Fireweed Zinc Ltd.	TSXV:FWZ	\$0.65	\$24	\$23	NA	\$0.002
Rathdowney Resourc	TSXV:RTH	\$0.10	\$16	\$17	NA	\$0.003

Selected Company Consensus Average

AQUILA RESOURCI	AQA	\$0.195	\$66	\$46	0.40x	\$0.010
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Company Name	Ticker Symbol	Disclosures
Aquila Resources Inc	TSX:AQA	1,2

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