

# Alloycorp Mining Inc. Announces Feed Study Results and Amendment to Bridge Financing

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[Alloycorp Mining Inc.](#) (TSX VENTURE: AVT) ("Alloycorp" or the "Company") is pleased to announce the results from DRA Taggart's ("DRA") Front End Engineering Design Study ("FEED Study") completed on the Avanti Kitsault Project ("Avanti Kitsault" or the "Project").

A summary of the FEED Study results is as follows (all dollar figures are presented in CAD, unless otherwise noted):

- Optimized mine plan targeting highest grade proven and probable mineral reserves and softest ore zones first - average grade of molybdenum over the first five years 0.092% and over life-of-mine is 0.078%
- Process plant re-designed to support a 45,500 tpd operation producing both molybdenum and silver concentrates under a wide range of operating conditions
- Average annual production of approximately 12,994 tonnes of molybdenum and 1.2 million ounces of silver over the first five years of production
- Site cash costs, net of silver by-product credits of \$6.30 (US\$5.04) per pound of molybdenum over the first five years of production and \$6.55 (US\$5.24) per pound over life-of-mine
- Total cash operating costs, including transportation costs, treatment charges, royalties and net of silver by-product credits, of \$8.63 (US\$6.91) per pound of molybdenum over the first five years of production and \$9.15 (US\$7.32) per pound over life-of-mine
- Pre-production capital costs were estimated at \$1.2 billion

A summary of the financial model based on design assumptions in the FEED Study is as follows:

- Pre-tax NPV<sub>8%</sub> of \$676 million and IRR of 16.1%
- After-tax NPV<sub>8%</sub> of \$346 million and IRR of 12.7%
- Average unlevered free cash flow of \$220 million annually over mine life
- Payback period of 5.3 years

DRA and Aecon Group Inc. have reconfirmed their intent to partnering on the engineering, procurement and construction of the Project and cost estimates provided in the FEED Study are reflective of how both companies envisage working together to successfully deliver the project.

Mr. Peter Mah, President of Avanti Kitsault Mine Ltd. ("AKML") and Chief Operating Officer of Alloycorp commented, "With the FEED Study now complete, we have significantly de-risked the project from a constructability perspective. The FEED has allowed us to firm up project scope and estimates to a point where we can recommend an engineering, procurement and construction strategy best suited for the company going forward, and supported by two project partners ready to execute on this strategy."

## Background and Scope of the FEED Study

On April 29, 2015, Alloycorp announced a transition of engineering and procurement services from AMEC Foster Wheeler Americas Limited ("AMEC") to DRA. Concurrent with the transition, DRA was commissioned to undertake the FEED Study with the intent to confirm engineering and procurement work completed to-date, while providing the Company a clearer definition of project execution going forward.

The scope of the FEED Study included an overall review of the Project and contracting strategy - excluding the tailings management facility ("TMF"), solid waste disposal and water treatment and geotechnical designs - currently managed by other engineers. The FEED Study included the following activities:

- Overall review of the Project and contracting strategy
- Review of test data provided, to confirm validity of assumptions to the flowsheet
- Develop a procurement and logistics plan
- Detailed construction cost estimate

- Explore project execution alternatives

### Changes to Mine Plan

A detailed mine plan and production schedule was prepared by AKML management with the objective of maximizing metal output over the first five years of production. In preparing an updated mine plan, the following was taken into consideration:

- Schedule the mining sequence giving preference to processing "softer" monzonite ore to maximize metal output without compromising metallurgical recovery while limiting harder hornfels ore to favourable levels
- Meet volume and timing requirements for construction materials for roads, platforms and the TMF
- Access areas with highest grade ore first

### Capital Costs

Pre-production capital cost estimates in the FEED Study have increased by approximately \$395 million to \$1.2 billion, compared to the NI 43-101 Technical Report (the "2014 Optimization Report"), published April 2014. A summary of the largest variances between the FEED Study and 2014 Optimization Report is provided in the following table:

Area	Cost Increase (C\$)	Description
Process Facility	\$115 million	<ul style="list-style-type: none"> <li>â,¬ç Changes to the processing plant were required to increase throughput</li> <li>â,¬ç Ore crusher, SAG and ball mills resized to increase throughput</li> <li>â,¬ç Increase in the overall footprint of the building, layout and infrastructure</li> <li>â,¬ç Changes to coarse ore conveyor from the primary crusher</li> </ul>
Engineering and Construction Management	\$71 million	â,¬ç Contracting costs associated with engineering and construction
Mining and Preproduction	\$63 million	<ul style="list-style-type: none"> <li>â,¬ç Larger amount of pre-stripping to deliver on revised schedule</li> <li>â,¬ç Higher contractor mining costs for construction of infrastructure</li> <li>â,¬ç Increase in costs for mining ore during the commissioning period</li> </ul>
Indirect Costs	\$45 million	<ul style="list-style-type: none"> <li>â,¬ç Camp size increased based on updated manpower requirements</li> <li>â,¬ç Increase in capital spares estimates</li> <li>â,¬ç Increased health and safety provisions</li> </ul>
Owner's Costs	\$37 million	<ul style="list-style-type: none"> <li>â,¬ç Increased estimates for compliance with environmental regulations</li> <li>â,¬ç Increased environmental management and monitoring costs</li> </ul>
Other	\$64 million	<ul style="list-style-type: none"> <li>â,¬ç Higher ancillary costs</li> <li>â,¬ç Increase in plant site infrastructure costs</li> </ul>

### Operating Costs

Cash operating costs, net of silver by-product credit are summarized in the following table:

Site Costs (C\$ / lb Mo)	First Five Years	Life-Of-Mine
Mining, Milling and G&A	\$7.10	\$7.56
Less: Silver Credit	(\$0.79 )	(\$1.01 )
Site Costs (Net of By-Product)	\$6.30	\$6.55
Site Costs (US\$ / lb Mo)	\$5.04	\$5.24
Transport and Smelter Charges	\$2.04	\$1.93
Royalties	\$0.29	\$0.67
Total Cash Costs (Net of By-Product)	\$8.63	\$9.15
Total Cash Costs (US\$ / lb Mo)	\$6.91	\$7.32

## Financial Assumptions

The financial model was prepared on the basis of the following assumptions:

Input	Unit	Value
Mine Life	(Years)	15
Average Throughput	(tpd)	45,500
Grade (First 5 Years) <sup>1</sup>	(% Mo)	0.092%
Grade (LOM) <sup>1</sup>	(% Mo)	0.078%
Mo Recovery (LOM)		90.5%
Ag Recovery (LOM)		53.4%
Pre-production Capital Costs	(C\$ millions)	\$1,213
Sustaining Capital Costs	(C\$ millions)	\$242
Molybdenum - First 5 Years	(000 t)	12,994
Silver - First 5 Years	(m oz)	1.2
Molybdenum - LOM	(000 t)	11,448
Silver - LOM	(m oz)	1.4
Site Costs	(C\$ / tonne Processed)	\$11.69
Treatment / Transport Charges	(C\$ / lb Produced)	\$1.93
Nisga'a NSR Royalty		0% to 2%
Alcoa NSR Royalty		1%
Freeport NPI Royalty		9.22%
CAD / USD Conversion		0.8000
Effective Tax Rate		33%
Discount Rate		8%

1) Proven and probable mineral reserves

The molybdenum price input is an average price realized over life of mine based on estimates received from CPM Group as part of its "Molybdenum Market Outlook" dated June 2015.

Silver and foreign exchange inputs are based on long term analyst estimates and empirical observations from industry participants.

Taxation considerations included in the financial model are comprised of Federal corporate income taxes and the British Columbia Mineral Tax.

## Financing Update and Project Alternatives

With the FEED Study now complete, the Company will continue to engage a syndicate of lenders in the pursuit of financing commitments. However, given the recent molybdenum price decline, there is no certainty credit commitments will be received at this time.

In the meantime, the Company will start to evaluate alternatives to further de-risk the project from a technical perspective. The Company plans to undertake additional metallurgical test work and desktop studies which could significantly improve the understanding of both the molybdenum and silver ore bodies, particularly in the first five years of production, at minimal incremental cost.

## Amendment to Bridge Financing

Alloycorp has also entered into an agreement (the "Amendment") to amend the terms of its existing US\$50 million bridge loan facility (the "Bridge Loan") dated November 18, 2014, which was amended on January 30, 2015, June 1, 2015 and June 30, 2015, among the Company, its wholly owned subsidiary Avanti Kitsault and Resource Capital Fund VI L.P. ("RCF VI").

The sole purpose of the Amendment is to increase the funds available under the Bridge Loan by US\$4,500,000. The interest rate on the Bridge Loan will remain unchanged at 12.5% per annum. Interest will be payable in cash at maturity. The default interest rate remains unchanged and is payable at the applicable

interest rate plus 5% per annum, compounded quarterly in arrears together with all other due but unpaid interest. No consideration will be payable by the Company to RCF VI in connection with the Amendment and the Company remains free to prepay all amounts owing under the Bridge Loan at any time. A copy of the Amendment has been filed by the Company on [www.sedar.com](http://www.sedar.com).

The purpose of the Amendment is to (i) provide corporate working capital in accordance with an updated budget for the Project, and (ii) to afford the Company with additional time to complete a restructuring of its existing loan facilities.

The Amendment was negotiated on an arms' length basis with RCF VI. The Bridge Loan was considered and approved by the board of directors of the Company, other than the directors of the Company who are also affiliated with RCF VI, who did not participate in the deliberations and abstained from such approval. There was no materially contrary view or abstention by any director approving the Amendment. It is expected that the closing of the Amendment will occur less than 21 days after the date of this press release, which is reasonable in the circumstances in order to provide the Company with access to the funds on an expedited basis.

RCF is an "insider" (as defined in applicable securities laws) of the Company. Pursuant to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"), the Amendment is considered a "related party transaction". The Amendment is exempt from the requirements to obtain a formal valuation pursuant to the exemption in section 5.5(b) of MI 61-101, as the Company is not listed on a specified market, and is exempt from minority shareholder approval pursuant to section 5.7(f) of MI 61-101, as the Amendment does not have an equity or voting component and is on reasonable commercial terms that are not less advantageous to the Company than if the Amendment were obtained from an arm's length party.

### **Qualified Person**

The technical content of this news release has been prepared by Alloycorp management and approved by G. Peter Mah, P Eng Ontario, President of AKML and Chief Operating Officer of Alloycorp, who is a Qualified Person as defined in NI 43-101.

### **About Avanti Kitsault**

Avanti Kitsault is located in the Nass Valley area, approximately 140 km north of Prince Rupert, in British Columbia, Canada. Alloycorp holds a 100 percent interest in the Project through its wholly owned subsidiary, Avanti Kitsault Mine Ltd. Alloycorp is spending approximately C\$1.2 billion to develop Avanti Kitsault into one of the top four primary molybdenum mines in the world.

Avanti Kitsault is fully permitted for construction, receiving its environmental assessment certificate from the Province of British Columbia in March of 2013, and an amended Mines Act permit on June 16, 2014. A Co-operation and Benefits Agreement was announced between Avanti Kitsault and the Nisga'a Lisims Government on June 3, 2014.

Molybdenum is a key alloying agent in the production of steel. Molybdenum is used to enhance strength, toughness, and wear and corrosion resistance to types of steels used in pipelines, storage tanks, bridges, aircraft engines and many, many other products. The versatility of molybdenum means that it plays a significant role in everyday life now and in the future.

### **About Alloycorp**

Alloycorp is a TSX-Venture listed company headquartered in Toronto with an operations office in Vancouver. Alloycorp's strategy is to become the unique supplier of steel alloy metals. Cornerstone to this strategy is the development of Avanti Kitsault. Parallel to this, Alloycorp is seeking to grow through the acquisition of other assets with commodities that supply to the steel alloys industry.

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*Forward-Looking Statements: This news release contains certain statements concerning the business of Alloycorp that constitute "forward-looking information" within the meaning of applicable securities laws. Such*

*statements can be identified by the use of words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "predict" and other similar terminology, or state that certain actions, events or results "may", "could", "would", "might", or "will be taken or occur to be achieved. All statements, other than statements of historical fact, included herein, including, without limitation, the completion of anticipated financing arrangements and activities and the anticipated development of Kitsault, the expected movement of molybdenum and other commodity prices (and the Company's position in relation thereto) and expected fluctuations in exchange rates, are all forward-looking statements. These forward-looking statements are based on the opinions of management at the date the statements are made and are based on assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events to differ materially from those projected in forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include fluctuations in commodity prices and currency exchange rates; the satisfaction of various conditions to financing and funding; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and estimated economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability, terms and timing of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty of meeting anticipated program milestones; and other risks and uncertainties disclosed in the Company's Annual Information Form for the year ended December 31, 2013, which is available at [www.sedar.com](http://www.sedar.com). The Company is under no obligation to update forward-looking statements if circumstances or management's opinions should change, except as required by applicable securities laws. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indicators of whether or not such results will be achieved. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.*

**For further information, please contact:**

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