

Increases Royalty Revenue Guidance and Expands Kemess East Exploration Program

TORONTO, Aug. 8, 2016 /CNW/ - [AuRico Metals Inc.](#) (TSX: AMI) ("AuRico" or the "Company") today reported its financial results for the quarter ended June 30, 2016. The Company also announced increased guidance on royalty revenue and an expanded exploration program at Kemess East. For complete details of the Financial Statements and associated Management's Discussion and Analysis for the quarter ended June 30, 2016, please see the Company's filings on SEDAR (www.sedar.com) or the Company's website (www.auricomets.ca). All amounts are in US dollars unless otherwise indicated.

Recent Highlights

- On August 2, 2016, the Company announced a C\$10.0 million bought deal equity financing whereby the Company will issue 10,000,000 common shares at C\$1.00 per share. The Company has granted the underwriters an over-allotment option to purchase up to an additional 1,500,000 common shares under the same terms;
- On August 8, 2016, the Company announced that [Alamos Gold Inc.](#) ("Alamos") has exercised its participation right with respect to the bought deal announced above. As a result, the Company will issue up to an additional 1,273,000 common shares through a private placement at C\$1.00 per share;
- During Q2 2016, recognized royalty revenue of \$2.0 million, comprised of \$0.9 million from the Fosterville royalty, \$0.8 million from the Young-Davidson royalty, and \$0.3 million from the Hemlo, Eagle River and Stawell royalties;
- On July 29, 2016, [Newmarket Gold Inc.](#) ("Newmarket") announced that it has increased guidance at Fosterville to 130,000 to 140,000 ounces for 2016, up from previous guidance of 110,000 to 120,000 ounces;
- On July 27, 2016, [Barrick Gold Corp.](#) ("Barrick") announced that it has increased guidance at Hemlo to 215,000 to 230,000 ounces for 2016, up from previous guidance of 200,000 to 220,000 ounces;
- The Company has increased its royalty revenue guidance to between \$7.7 million to \$8.1 million from its original guidance of \$6.6 million to \$7.1 million;
- The Company has expanded its Kemess East exploration program to \$4.4 million this year with a focus on further expanding and infilling the previously announced resource. The increased program has been funded by CEE ("Canadian Exploration Expenses") flow-through financings for \$2.7 million completed subsequent to June 30th;
- On May 12, 2016, the Company announced that the Company's application for an Environmental Assessment ("EA") Certificate for the Kemess Underground Project entered the 180-day review period; and
- On May 6, 2016, the Company announced that it had filed the National Instrument 43-101 technical report for the Kemess Underground Project and the Kemess East Resource Estimate.

Commenting on the results, Chris Richter, President and CEO stated, "We are pleased to report a fourth consecutive quarter of higher royalty revenue and to be increasing our annual royalty revenue guidance. At Kemess we are advancing through the EA review process and are keen to accelerate permitting efforts over the remainder of the year. We are particularly excited about our expanded exploration program at Kemess East and look forward to the results from three drills currently in operation."

Operations Update

Royalties

The Company estimates quarterly revenue from its royalty assets based on a combination of guidance and recent production of the underlying operations. Revenues are adjusted in the subsequent quarter to reflect actual royalty payments received, should they differ from the estimated revenue.

During the three and six months ended June 30, 2016, the Company recognized revenues from the following royalties:

(in millions)	Q2 2016 Year-to-date 2016 Revised Guidance		
Fosterville 2% NSR royalty	\$0.9	\$1.6	\$3.4 – \$3.5
Young-Davidson 1.5% NSR royalty	\$0.8	\$1.5	\$3.3 - \$3.4
Other royalties	\$0.3	\$0.5	\$1.0 - \$1.2
Total	\$2.0	\$3.6	\$7.7 - \$8.1

The Company recognized revenue of \$0.9 million from the Fosterville 2% NSR royalty in the three months ended June 30, 2016.

In Q2 2016, Fosterville announced another record quarter, producing 37,245 ounces at a mill grade of 7.50 grams per tonne gold. This is a 12% increase over production of 33,138 ounces in Q1 2016 which was, at that time, a record. Record production during the first half of 2016 has led Newmarket to increase its production guidance at Fosterville to 130,000 to 140,000 ounces, up from previously announced guidance of 110,000 to 120,000 ounces. In addition, Newmarket reported encouraging drill intercepts at its Harrier South gold system during the quarter, including 22.13 gold grams per tonne over 3.4 metres in hole UDH 1559 (please refer to the press releases dated June 27, 2016, July 12, 2016 and July 29, 2016 available on Newmarket's website at www.newmarketgoldinc.com).

During Q2 2016, the Company recognized revenue of \$0.8 million from the Young-Davidson 1.5% NSR royalty. Underground mining rates at Young-Davidson in Q1 2016 averaged 5,776 tonnes per day ("TPD"), increasing to an average of 6,300 TPD in April. Alamos notes that the operation remains on target to achieve 7,000 TPD by the end of 2016, which will have a favorable impact on production in the second half of 2016 (please refer to the press release dated May 12, 2016 available on Alamos' website at www.alamosgold.com).

The Company's 1% NSR royalty on the Stawell mine in Victoria, Australia, commenced on January 1, 2016 in accordance with the NSR agreement. The Company recognized revenue of \$0.1 million from this royalty in Q2 2016, based on 8,504 ounces of production during the quarter. Newmarket continued drilling the Aurora B gold discovery during the quarter, completing an eight hole drill program which successfully demonstrated the continuation of mineralization both up and down plunge. Drilling on Aurora B will continue in the third quarter with two rigs operational (please refer to the press release dated July 12, 2016 available on Newmarket's website at www.newmarketgoldinc.com).

During Q2 2016, the Company recognized revenue of \$0.1 million from its 0.25% royalty on the Williams mine at Hemlo. During the quarter, Barrick announced total production of 52,000 ounces at Hemlo, a 24% increase from the 42,000 ounces produced in the second quarter of 2015. On July 27, 2016, Barrick announced that it has increased guidance at Hemlo to 215,000 to 230,000 ounces for 2016, up from previous guidance of 200,000 to 220,000 ounces. Not all production at Hemlo is attributable to the Company's Williams-Hemlo royalty, therefore, total attributable production will be less than the Q2 2016 production reported by Barrick (please refer to the 2016 Q2 Mine Statistics, and the press release dated July 27, 2016, both available on Barrick's website at www.barrick.com).

The Company recognized revenue of \$0.1 million from its 0.5% NSR royalty on the Eagle River underground mine during the three months ended June 30, 2016. In Q2 2016, the Eagle River underground mine reported production of 10,210 ounces. During the quarter, [Wesdome Gold Mines Ltd.](http://www.wesdome.com) ("Wesdome") also released encouraging initial results from its 7 Zone exploration program, including the results of 15 underground drill holes. The 7 Zone has now been traced 200 metres up-plunge from existing reserves to the 840 metre level and continues to remain open towards surface (please refer to the press releases dated May 11, 2016 and May 31, 2016 available on Wesdome's website at www.wesdome.com).

Kemess Underground

The British Columbia Environmental Assessment Office ("EAO") initiated the 180 day EA review period on May 11, 2016. As of July 11, initial questions and comments from working group members, the general public and our First Nations partners had been received. By August 5, the Company had provided responses to 88% of these comments.

On August 2, the Company sent a letter to the EAO requesting an eight week extension to the application review period on account of the Company receiving many of the comments referenced above later than anticipated, and to accommodate a request from our First Nations partners for additional time for community engagement, which the Company supports. The Company's request for an extension was granted on August 4th.

Towards the end of the review period, the EAO will conclude their assessment and submit their report to both the provincial and federal ministers for their respective decisions. These decisions are expected in Q1 2017.

Kemess East

The Company has increased its planned drilling at Kemess East from \$1.7 million to \$4.4 million, having raised additional exploration funds through flow-through financings completed on July 22, 2016 and August 3, 2016. The ongoing drill campaign is focused on infilling and expanding the high grade core of Kemess East which was identified in 2015. The Company currently has 3 drills turning and the first set of assay results are expected in the near future.

Near-Term Corporate Objectives

The Company's objectives over the next several months include:

- Evaluate potential royalty acquisition opportunities;
- Progress EA review for Kemess Underground;
- Commence permitting and detailed engineering for Kemess Underground;

- Release the results of an expanded summer drill campaign at Kemess East (Q3 and Q4 2016); and
- Continue efforts to reduce care and maintenance costs at the Kemess site to targeted levels by the end of 2016.

Outlook

The Company provided its initial annual outlook within its MD&A for the year ended December 31, 2015, and re-confirmed this guidance in its Q1 MD&A. The Company is updating its guidance and now expects the following for the full year (assuming a 0.75 CAD to USD exchange rate):

(in millions)	<u>Revised</u>
Royalty revenues (pre-tax)	\$6.6 to \$8.1 to \$6.6 to \$7.0
Royalty revenues (after-tax)	to \$6.6 to \$7.0
General and administrative expense, excluding stock-based compensation	\$2.5
Care and maintenance expense	\$4.5
Kemess Underground project capital expenditures	\$3.6 to \$3.8 to \$2.4
Kemess East exploration expenditures	\$2.4

The Company has reported stronger revenues to date, as a result of both an improvement in gold prices, and increased production from the Fosterville mine in the first half of 2016. In its most recent forecast, the Company has revised its assumed gold price to \$1,300 per ounce for the second half of the year, and has increased its production assumptions at Fosterville to be in line with revised Newmarket guidance of 130,000 to 140,000 gold ounces.

Conditional on the closing of the announced bought deal financing, the Company will increase its guidance for expenditures on Kemess Underground from a range of \$1.5 million to \$2.5 million to a range of \$3.0 million to \$3.8 million. The additional spend relates to accelerating permitting efforts for Kemess Underground during the remainder of 2016.

The Company has increased its guidance on exploration spending at Kemess East to \$4.4 million. These expenditures have been funded through flow-through financings completed subsequent to June 30, 2016.

Preliminary Short Form Prospectus

In connection with the recently announced bought deal equity financing the Company expects to file its preliminary short form prospectus by the end of day on August 8, 2016.

About AuRico Metals

AuRico Metals is a mining royalty and development company whose producing gold royalty assets include a 1.5% NSR royalty on the Young-Davidson Gold Mine, a 0.25% NSR royalty on the Williams Mine at Hemlo, and a 0.5% NSR royalty on the Eagle River Mine; all located in Ontario, Canada. AuRico Metals also has a 2% NSR royalty on the Fosterville Mine and a 1% NSR royalty on the Stawell Mine, located in Victoria, Australia. Aside from its diversified royalty portfolio, AuRico owns (100%) the advanced Kemess Gold-Copper Project in British Columbia, Canada. AuRico Metals' head office is located in Toronto, Ontario, Canada.

Cautionary Statement

This press release contains forward-looking statements and forward-looking information as defined under Canadian and U.S. securities laws. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements. The words "expect", "believe", "anticipate", "will", "intend", "estimate", "forecast", "budget" and similar expressions identify forward-looking statements. Forward-looking statements include statements related to the Company's outlook and key deliverables for Kemess over the next year. These statements are based on a number of factors and assumptions that, while considered reasonable by management at the time of making such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such forward-looking statements and the factors and assumptions underlying them in this document include, but are not limited to:

- Royalty revenue guidance may be impacted by the performance of the Young-Davidson, Fosterville, Stawell, Hemlo and Eagle River mines. Management has based its revenue assumptions on the latest guidance provided by the operators of these assets, but there is uncertainty as to whether operators will achieve stated production guidance. Royalty revenue is also based on an assumed gold price of \$1,300 per ounce. The Company's gold price assumption may be inaccurate; every \$50 change in gold price assumption impacts after-tax revenue by \$0.2 million (for the last 6 months of 2016).
- General and administrative expense guidance may be impacted by changes in foreign exchange rates, employee relations, litigation, and business opportunities that may be pursued by the Company.
- Care and maintenance expense guidance may be impacted by changes in foreign exchange rates, employee relations, electricity rates in British Columbia, weather in the region surrounding the Kemess site, equipment reliability, quality of service received by vendors and consultants, and the price of consumables.
- Kemess underground capital expenditures are at the Company's discretion and will be impacted by changes in foreign exchange rates, the number of comments or questions raised by First Nations partners, working group members, and the general public during the EA review period, additional studies required in order to address concerns raised and the results of those studies, the results of the Company's updated feasibility study, optimization efforts by management, and credit market conditions and conditions in financial markets generally.
- The estimates, models and assumptions contained in the Feasibility Study, which may be impacted by changes in commodity prices and the exchange rate between the Canadian dollar and US dollar from assumed levels, estimated future production and cost of sales forecasts meeting expectations, estimated labour and materials costs being consistent with the Company's expectations, the accuracy of current mineral reserve and mineral resource estimates as contemplated by the Feasibility Study, the viability of Kemess Underground including, but not limited to, permitting, development and expansion being consistent with the Company's current expectations, access to capital markets, including but not limited to identifying financing options and securing partial project financing for the Kemess Underground project, being consistent with the Company's current expectations.
- The estimates, models and assumptions contained in the Kemess East Mineral Resource estimate, which may be impacted by changes in commodity prices and the exchange rate between the Canadian dollar and US dollar from assumed levels, the accuracy of current mineral resource estimates, as contemplated by the Mineral Resource estimate, and metallurgical recoveries being consistent with the Company's current expectations.

The Company has made forward-looking statements relating to corporate objectives and key deliverables over the next 12 months, including permitting and the EA, the Company's ability to fund forecasted cash shortfalls, the Company's ability to create value for shareholders, sufficiency of working capital for future commitments and other statements that express management's expectations or estimates of future performance.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained herein. Such statements are based on a number of assumptions which may prove to be incorrect, including assumptions about business and economic conditions; commodity prices and the price of key inputs such as labour, fuel and electricity; credit market conditions and conditions in financial markets generally; development schedules and the associated costs; ability to procure equipment and supplies and on a timely basis; the timing and ability to obtain permits and other approvals for projects and operations including provincial and federal approval of the environmental assessment application; the ability to attract and retain skilled employees and contractors for the operations; the accuracy of reserve and resource estimates; the impact of changes in currency exchange rates on costs and results; interest rates; taxation; and ongoing relations with employees and business partners. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

Readers are cautioned that forward-looking statements are not guarantees of future performance. All of the forward-looking statements made in this press release are qualified by these cautionary statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

Other information

The technical information disclosed in this press release relating to the Kemess Underground project, Kemess East Mineral Resource and the Company's Young-Davidson and Fosterville NSR royalties has been approved by Mr. John Fitzgerald, an officer of the Company, who is a qualified person within the meaning of National Instrument 43-101.

SOURCE AuRico Metals

Contact

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