

# AuRico Metals Reports 2017 Second Quarter Results

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## Reports Record Quarterly Royalty Revenues and Cash Balance

TORONTO, Aug. 9, 2017 - [AuRico Metals Inc.](#) (TSX: AMI), ("AuRico" or the "Company") today reported its financial results for the second quarter. For complete details of the Financial Statements and associated Management's Discussion and Analysis for the quarter ended June 30, 2017, please see the Company's filings on SEDAR ([www.sedar.com](#)) or the Company's website ([www.auricometales.ca](#)). All amounts are in US dollars unless otherwise indicated.

### Recent Highlights include:

- Record royalty revenue of \$2.8 million, an increase of 39% compared to Q2 2016;
- Revenue for the quarter was positively impacted by record second quarter gold production of 77,069 ounces from the Fosterville mine and 47,300 ounces from the Young-Davidson mine;
- Annual royalty revenue guidance has been revised upwards for the second time in 2017, to a range of \$10.5 to \$11.0 million;
- Future royalty revenue will be positively impacted by the significant 110% increase in gold ounces within Mineral Reserves at the Fosterville Mine;
- The Company reported a record cash balance of \$21.2 million at June 30, 2017;
- Signed an Impact Benefits Agreement ("IBA") for the Kemess Underground Project with the Tse Key Nay First Nations;
- Released a positive Preliminary Economic Assessment ("PEA") for the Kemess East project which displayed robust economics including a pre-tax NPV of C\$670.0 million (22.1% IRR) and an after-tax NPV of C\$375.0 million (16.7% IRR); and
- Completed a \$3.8 million (C\$5.0 million) Canadian Exploration Expense ("CEE") flow-through financing to fund ongoing exploration at Kemess East.

Commenting on the results, Chris Richter, President and CEO of AuRico Metals stated; "Over the first half of 2017 we reached a number of key milestones at Kemess, including the receipt of our EA Certificate for Kemess Underground, the signing of an Impact Benefit Agreement with our First Nations Partners, and the release of a positive PEA on Kemess East. I am proud of the progress the team has made in achieving these milestones and increasingly highlighting Kemess as a stand out, advanced stage, development opportunity in a top jurisdiction. We look forward to pursuing further value creation through our ongoing efforts on detailed engineering, permitting, and Kemess East drilling which will feed into an integrated Feasibility Study on Kemess Underground and Kemess East. With regards to our royalty portfolio, we are very excited about the significant increase in its value over the first half of the year, not least as a result of the growing reserves and expanding production at Fosterville. The success at Fosterville underscores the high quality nature of our royalty portfolio."

### Near-Term Corporate Objectives

The Company's key near-term objectives include:

- Release results of 2017 Kemess East drill program (Q4 2017), and updated Kemess East resource estimate (Q1 2018);
- Progress permitting and detailed engineering for the Kemess Underground project ahead of a potential decision to commence early construction activities (H1 2018);
- Advance integrated Kemess Underground and Kemess East Feasibility Study (mid-2018);
- Evaluation of funding alternatives for the potential development of the Kemess Underground project (ongoing).

### 2017 Outlook

AuRico Metals' goal is to deliver sustained value creation for the Company's many stakeholders. We will look to continue to create shareholder value by advancing the Kemess Underground project, by advancing the Kemess East project, by completing an integrated feasibility study, and by enhancing the value of our royalty portfolio.

The section below contains forward looking information; please refer to the Company's cautionary note regarding forward looking statements. The Company is providing the following revised guidance for 2017, assuming a 0.75 CAD to USD exchange rate and \$1,250 per ounce gold price:

(in millions)	August 2017 Guidance	May 2017 Guidance
Royalty revenues (pre-tax)	\$10.5 to \$11.0	\$9.5 to \$10.4
General and administrative expense, excluding stock-based compensation	\$3.0	\$3.0
Care and maintenance expense	\$4.0	\$4.0
Powerline brushing campaign	\$1.5	-
Kemess Underground capital expenditures	\$6.0 to \$7.0	\$5.5 to \$6.0
Kemess East capital expenditures	\$4.0	\$4.0

Royalty revenue guidance has been increased for the second time in 2017, due to another increase in production guidance at Fosterville. The guidance range disclosed in the table above is based on the following guidance ranges provided by the operators:

Asset	Royalty	Guidance Low	Guidance High
Young-Davidson	1.50%	200,000	210,000
Fosterville	2.00%	250,000	260,000
Hemlo*	0.25%	205,000	220,000
Eagle River	0.50%	45,000	49,000

\* Company guidance assumes that 75% of production at Hemlo will be from the Williams mine.

The Company has committed to conduct a \$1.5 million powerline brushing campaign on its wholly owned powerline between Mackenzie and Kemess during the second half of 2017. During Q2 2017, a powerline treatment assessment was conducted and areas were identified that require vegetation removal. This expense was included in the Company's Kemess Underground Feasibility Study cost estimate, but has been brought forward to reduce the risk of an outage or fire caused by growth underneath the Company's powerline. Powerline brushing will be included in care and maintenance expense on the Company's Consolidated Statement of Comprehensive Income.

The Company has increased its Kemess Underground capital expenditure guidance from \$5.5 to \$6.0 million to \$6.0 to \$7.0 million. This increase is due to accelerating detailed engineering on project year 1 and 2 (currently 2018 and 2019) capital items in order to get an advance start on tendering these contracts. While the Company is working on tendering packages, the awarding of work will be dependent on an attractive financing alternative, and approval by the Company's Board of Directors.

## Operations Update

## **Kemess Underground**

The Company is currently preparing the necessary permit applications that would allow for the construction and operation of Kemess Underground. It is anticipated that these permit applications will be submitted during Q3 2017. The permitting process is anticipated to be completed in Q2 2018.

During the first quarter, the Canadian Environmental Assessment Agency ("CEAA") issued a positive Decision Statement and the British Columbia Environmental Assessment Office ("EAO") granted an Environmental Assessment Certificate for the Kemess Underground project.

Earlier this year, the Company announced the addition of two project managers to the Kemess Underground project team, a Mining Project Manager and a Surface Construction Project Manager. Both new hires bring a wealth of experience to the Company, both in technical knowledge of panel caving and surface construction, and experience in British Columbia.

In May 2017, the Company announced the signing of an IBA for the Kemess Underground project with Takla Lake, Tsay Key Dene and Kwadacha, collectively Tse Key Nay ("TKN"), an alliance of three Sekani First Nations. The IBA provides a framework that formalizes the long-term cooperative relationship between the Company and the TKN First Nations over the life of the project. The IBA captures the mutual commitment to consult and maintain an open, respectful and cooperative relationship throughout the development and operation of the Kemess Underground project. The IBA further provides for meaningful TKN participation in Kemess Underground through training, employment, business opportunities, environmental protection and other means.

In anticipation of all required construction and operating permits being received in Q2 2018, detailed engineering is in progress with a focus on access corridor construction related activities which are expected to account for the first twelve months in the construction schedule. The access corridor includes a road from the Kemess South site to the location of the triple decline portals that will be used to access the Kemess Underground orebody. Additional activities include a 0.9 kilometre access tunnel, laydown areas, and camp refurbishment activities. The Company is also progressing detailed engineering on its water discharge system.

Tender documents related to initial construction activities are planned to be issued to contracting companies in Q3 2017.

## **Kemess East**

On May 29, 2017, the Company announced the results of a PEA on the Kemess East project.

The Company is currently conducting an approximately 12,000 metre drill program at Kemess East with 2 drill rigs currently active on the property. This program will include infill drilling targeting the potassic strong zone, expansion drilling on the outer edges of the known deposit and exploration holes testing the Kemess Offset Zone. The Kemess Offset Zone is located between the Kemess Underground and Kemess East deposits, which are one kilometre apart.

## **Kliyul**

On March 17, 2017, AuRico entered into a binding Letter Agreement with [First Quantum Minerals Ltd.](#) ("First Quantum") on the Kliyul property, located in British Columbia, approximately 50 km south of AuRico's Kemess property. Under the terms of the agreement, First Quantum has 12 months to evaluate the Kliyul project. It can then choose to enter into an Option to earn a 51% interest by incurring a minimum of C\$5 million of expenditures on the project prior to December 31, 2021. First Quantum's interest will increase by a further 29% (80% total) when a decision to mine is made. Upon a decision to mine, AuRico will be entitled to receive advance royalty payments of C\$2 million per year until the commencement of commercial production, and will retain a 0.5% NSR royalty once production commences.

## **Royalties**

During the three months ended June 30, 2017, the Company recognized revenues from the following royalty assets:

(\$ in millions)	Fosterville Young-Davidson Hemlo*		Eagle River Total		
	(2% NSR)	(1.5% NSR)	(0.25% NSR)	(0.5% NSR)	
Q2 2017 Revenue	\$1.7	\$0.9	\$0.1	\$0.1	\$2.8
Q1 2017 Revenue	\$1.1	\$0.8	\$0.2	\$0.1	\$2.2
YTD Revenue	\$2.8	\$1.7	\$0.3	\$0.2	\$5.0

Operator's Production Fosterville Young-Davidson Hemlo\* Eagle River  
(in ounces)

Q2 2017 Production	77,069	47,300	42,000	10,597
Q1 2017 Production	46,083	40,400	54,000	13,588
YTD Production	123,152	87,700	96,000	24,185

\* Note that the Company's royalty is on the Williams mine at Hemlo.

#### Recent royalty portfolio highlights include:

- On August 8, 2017, [Kirkland Lake Gold Ltd.](#) ("Kirkland") reported additional high-grade drilling results at Fosterville, including 338 gold grams per tonne over 33.6 meters (estimated true width of 4.6 meters). Kirkland's drilling program continues to infill and target down-plunge extensions of the Swan Zone of the Lower Phoenix gold system to increase Mineral Resource confidence and assess the potential of further Mineral Reserve expansion
- On August 3, 2017, [Alamos Gold Inc.](#) announced record gold production of 47,300 ounces at Young-Davidson during the quarter, 11% higher than the same period of 2016 and 17% higher than the first quarter of 2017. Strong production has continued into July, with higher underground grades driving gold production to a new monthly record of approximately 20,000 ounces.
- On August 2, 2017, Kirkland revised its 2017 full-year guidance for Fosterville, increasing production guidance to 250,000 &#8211; 260,000 ounces compared to the previous 200,000 &#8211; 225,000 ounces.
- On July 27, 2017, Kirkland announced that updated underground Mineral Reserves at Fosterville grew 110% to 1,030,000 ounces of gold, after depletion, from the previous estimate of 490,000 ounces of gold at December 31, 2016. The main factor contributing to the significant growth in ounces is an 83% increase in the underground Mineral Reserve grade, to 17.9 gold grams per tonne.
- On July 9, 2017, Kirkland announced record quarterly gold production at Fosterville of 77,069 ounces at an average mill grade of 17.2 gold grams per tonne and record recoveries of 94.7%.
- On May 31, 2017, [Wesdome Gold Mine Ltd](#) ("Wesdome") announced that it had completed development on the 844 metre level in the 300E Zone. Development of the 844 metre drift has identified subzones with a combined strike length of 174 metres, width of 2.85 metres and average grades of 22.62 gold grams per tonne. In comparison, the Q2 2017 head grade at the Eagle River mine was 9.8 gold grams per tonne. Wesdome expects to produce ore from the 300E Zone by the end of 2017.

#### About AuRico Metals

AuRico Metals is a mining development and royalty company with a 100% interest in the Kemess property in British Columbia, Canada. The Kemess property hosts the feasibility-stage Kemess Underground Gold-Copper project, the Kemess East exploration project, and the infrastructure pertaining to the past producing Kemess South mine. AuRico's royalty portfolio includes a 1.5% NSR royalty on the Young-Davidson Gold Mine and a 2% NSR royalty on the Fosterville Mine, as well as a portfolio of additional producing and pre-production royalty assets located in North America and Australia.

#### Cautionary Statement on Forward-Looking Information

*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, 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 \$1,250 per ounce. The Company's gold price assumption may be inaccurate; every \$50 change in gold price assumption impacts pre-tax revenue by approximately \$0.3 million.*
- *General and administrative expense guidance may be impacted by changes in foreign exchange rates, the integration of Kiska, employee relations, litigation, time spent by officers and employees on general and administrative activities, 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, extent of powerline brushing required, if any, to optimally maintain the powerline, 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 and Government during the review of project permits, additional studies required in order to address concerns raised and the results of those studies, quality of service received by consultants, optimization efforts by management, and credit market conditions and conditions in financial markets generally.*
- *Kemess East capital expenditures will be impacted by changes in foreign exchange rates, weather conditions, quality of service received by consultants, and the extent of any additional drilling conducted at Kemess East in 2017.*
- *The estimates, models and assumptions contained in the Kemess Underground Feasibility Study, including planned production rates, 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 Preliminary Economic Assessment and Mineral Resource estimate, including planned production rates, 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 resource estimates, the viability of Kemess East including, but not limited to, permitting, development and expansion 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, timing of regulatory decisions relating to permitting, progress on detailed engineering, 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, the timing of the integrated Kemess Underground and Kemess East Feasibility Study, ability and timing of a potential development decision on Kemess Underground, 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; the ability to attract and retain skilled employees and contractors for the operations; the accuracy of reserve and resource estimates; the integration of Kiska, 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.*

### **Other information**

*The technical information disclosed in this press release relating to the Kemess Underground project, Kemess East project and the Company's material royalty properties, being the 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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