

Guyana Goldfields Inc. Reports Second Quarter 2016 Results; Sold 36,585 Ounces of Gold Generating \$11.6M in Free Cash Flow and Net Earnings of \$0.05 Per Share

TORONTO, Aug. 11, 2016 /CNW/ - Guyana Goldfields Inc. (TSX: GUY) ("GGI" or the "Company") reports its operational and financial results for the second quarter of 2016. All amounts are expressed in U.S. dollars unless otherwise stated. A conference call will also be held tomorrow, Friday, August 12th at 10:00 am ET to discuss second quarter results.

Q2 2016 Highlights

- Increased operating margin¹ to \$23.5 million (51% of revenues), representing a \$644 margin per ounce of gold sold¹ for the second quarter.
- Reduced remaining 2015 development costs liabilities by \$11.1 million in the quarter, in addition to making a debt principal repayment of \$5.5 million and related interest payment of \$2.4 million.
- Cash costs (before royalty)¹ for the second quarter were \$524 per ounce of gold sold (consistent with first quarter performance). All-in sustaining costs¹ were \$729 per ounce of gold sold, an improvement of \$38 per ounce from the first quarter of 2016.
- Sold 36,585 ounces of gold at an average realized gold price of \$1,269 per ounce, generating gross second quarter revenues of \$46.4 million.
- Increased quarterly net earnings to \$7.6 million or \$0.05 per diluted common share.
- Finished the second quarter with a cash balance of \$39.9 million made up of cash and cash equivalents of \$16.6 million and restricted cash of \$23.3 million.
- Generated \$11.6 million of free cash flow¹ or \$0.07 per diluted common share and operating cash flow of \$15.6 million or \$0.10 per diluted common share.
- 2016 production guidance increased to 140,000 to 160,000 ounces of gold (from prior guidance of 130,000 to 150,000 ounces).

Scott Caldwell, President & CEO stated, "In its second ever quarter of commercial production, the Company generated free cash flow of \$11.6 million and significantly reduced its remaining development cost liabilities as well as satisfying all debt principal and interest payments. With higher grade material expected to be mined and further optimization efforts expected to be realized in the upcoming quarter, the Company is in an excellent position to deliver significant results for the second half of 2016".

¹ This is a non-GAAP measure. Refer to Non-GAAP Performance Measures section in the June 30, 2016 MD&A.

Aurora Gold Mine Operational Statistics

		Q2 2016	Q1 2016
Ore mined	tonnes	623,400	553,600
Waste mined	tonnes	1,076,200	1,409,300
Total Mined	tonnes	1,699,600	1,962,900
Strip ratio	waste:ore	1.73	2.55
Tonnes mined per day	tpd	18,677	21,571
Ore processed	tonnes	427,700	462,600
Tonnes processed per day	tpd	4,700	5,083
Head grade	g/t Au	2.61	3.07
Recovery	%	91.1	89.2
Mill utilization	%	90.2	89
Gold Produced	ounces	32,053	41,281
Gold Sold	ounces	36,585	40,568
Average Realized Gold Price	\$/ounce	1,269	1,196

Q1 2016 Operational Results Summary

- Gold production totaled 32,053 ounces based on mill throughput of 427,700 tonnes at an average head grade of 2.61 grams per tonne (g/t) gold and average recoveries of 91.1%. Production was lower mainly driven by lower tonnes milled and lower head grade. The mine saw an increase in mid and low grade ore being mined in order to increase the run-of-mine ("ROM") stockpile for additional feed capacity during the rainy season.
- Mill head grade of 2.61 g/t was slightly above mine plan expectations and is reflective of early mine sequencing. Mill utilization improved to 90.2% due to enhanced maintenance planning practices while mill recovery rates also improved as lower throughput rates increased recovery time along with improved circuit stability and control. The block model reconciliation comparing survey volumes of actual tonnes mined and grade continues to compare favourably versus the reserve model.
- Daily mining rates averaged 18,677 tonnes per day ("tpd") as longer haul profiles affected tonnes mined and low drill availability during the early part of the second quarter which negatively impacted the ability to drill and blast waste rock. This also resulted in increased reliance on rental drills during the period.
- Production activities reflected an average of 4,700 tpd in daily throughput mainly due to mill down time related to planned repairs and modifications to the SAG feed chute, conveyor and trash screen.
- The Company took delivery of three excavators that were placed in service mid-second quarter, while six new haul trucks were received and placed in service at the end of the period. These additions replaced existing rental equipment that were returned early in the third quarter.
- During the third quarter, the Company expects to purchase and place into service two new larger excavators. This new equipment is expected to further reduce rental equipment requirements and operating costs.
- As of June 30, 2016, there were approximately 4,281 contained ounces of gold in circuit with an additional 3,379 ounces in doré inventory ready to be refined.

Q2 2016 Selected Financial Information

<i>(in thousands of US\$, except ounces, per ounce, and per share figures)</i>	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Ounces produced	32,053	-	73,334	-
Ounces sold	36,585	-	77,153	-
Revenues	\$ 46,411	\$ -	\$ 94,941	\$ -
Operating margin ¹	\$ 23,543	\$ -	\$ 46,920	\$ -
Earnings from mine operations	\$ 15,619	\$ -	\$ 33,019	\$ -
Earnings (loss) before tax	\$ 11,647	\$ (1,815)	\$ 23,142	\$ (3,729)
Net earnings (loss)	\$ 7,642	\$ (1,815)	\$ 14,659	\$ (3,729)
Net earnings (loss) per basic share	\$ 0.05	\$ (0.01)	\$ 0.10	\$ (0.02)
Net earnings (loss) per diluted share	\$ 0.05	\$ (0.01)	\$ 0.09	\$ (0.02)
Cash flow from operating activities	\$ 15,565	\$ (375)	\$ 39,202	\$ (1,862)
Cash and cash equivalents	\$ 16,612	\$ 24,301	\$ 16,612	\$ 24,301
Restricted cash balances	\$ 23,281	\$ 27,300	\$ 23,281	\$ 27,300
Total assets	\$ 356,781	\$ 312,651	\$ 356,781	\$ 312,651
Long-term debt	\$ 143,370	\$ 139,173	\$ 143,370	\$ 139,173
Realized gold price per ounce	\$ 1,269	\$ -	\$ 1,231	\$ -
Average London PM Fix gold price per ounce	\$ 1,260	\$ -	\$ 1,221	\$ -
Cash costs per ounce – before royalty ¹	\$ 524	\$ -	\$ 524	\$ -
All-in sustaining costs per ounce ¹	\$ 729	\$ -	\$ 749	\$ -

¹ This is a non-GAAP measure. Refer to Non-GAAP Performance Measures section in the June 30, 2016 MD&A.

Q1 2016 Financial Performance

- A total of 36,585 ounces of gold were sold with an average realized gold price of \$1,269 per ounce, resulting in revenues of \$46.4 million. The average London PM Fix gold price per ounce was \$1,260.
- Production costs were \$19.2 million and include costs associated with mining activities, processing and mine site administration. The rental of additional mining equipment continued throughout the second quarter while a substantial portion of the new mine fleet was delivered and became operational late in the period.
- Total cash costs (with royalty) was \$625 per ounce of gold sold, Total cash costs (before royalty)¹ were \$524 per ounce of gold, and AISC¹ was \$729 per ounce of gold sold.
- Net earnings amounted to \$7.6 million or \$0.05 cents per diluted common share.

Q1 Liquidity and Capital Resources

- Finished the second quarter with a cash balance of \$39.9 million made up of cash and cash equivalents of \$16.6 million and restricted cash of \$23.3 million.
- On July 19, 2016, the Company closed a public offering of 12,830,000 common shares at a price of \$7.16 (Cdn\$9.40) per share for aggregate gross proceeds of \$91.9 million (Cdn\$120.6 million). Net proceeds are expected to be used to fund an expansion of the Aurora Mine (expected to be completed in 2017) that is anticipated to increase capacity from 5,000 tpd to 8,000 tpd, for expanded exploration activities, and for potential debt repayment, and for general corporate purposes and may include opportunistic investments in Guyana and elsewhere. As at the date of this news release, total cash and cash equivalents are \$102.5 million, which does not include restricted cash of \$23.3 million.
- Generated \$15.5 million in cash from operating activities, reflective of the overall low cost operating structure for the Aurora Mine.
- The Company made its quarterly debt principal repayment of \$5.5 million and related interest payment of \$2.4 million towards the Project Loan Facility (see press release dated September 3, 2014). Since September 30, 2015, the Company has reduced its Facility from \$160.0 million to \$143.3 million.
- Significantly reduced accounts payable and accrued liabilities by \$12.1 million during the quarter. The largest factor to this reduction was net payments to development costs liabilities related to the engineering, procurement and construction contract. As of the date of this news release, GGI has fully paid off all development costs liabilities.

Financial Risk Management

- At June 30, 2016, the Company had a total of 28,800,000 litres of diesel forward contracts at an average rate of \$0.43/litre, which will settle on a net basis, covering subsequent periods that end December 2018.
- Subsequent to June 30, 2016, the Company entered into two new diesel derivative contracts for 12.0 million litres of diesel at an average rate of \$0.45/litre, covering the calendar year 2019, that will settle on a net basis.

¹ This is a non-GAAP measure. Refer to Non-GAAP Performance Measures section in the June 30, 2016 MD&A.

2016 Outlook and Opportunities

The Company increased its 2016 production guidance on June 27, 2016 to 140,000 to 160,000 ounces of gold (from prior guidance of 130,000 to 150,000 ounces). The primary contributors to the revised guidance were increased throughput levels and higher grade than originally predicted in the mine plan. Cash cost

(before royalty)¹ guidance remained unchanged at \$487 to \$537 per ounce of gold while all-in sustaining cost ("AISC")¹ guidance for 2016 was increased from \$637 to \$687 per ounce to \$670 to \$720 per ounce (using a gold price of \$1,250 per ounce). The increase was mainly attributable to the unbudgeted purchase of a used Twin Otter airplane for more efficient and flexible local transportation and supplies, and capital expenditures for various plant facility optimization and infrastructure improvement projects.

During the second half of 2016, the Company expects to realize the benefits of mining higher grade ore at Rory's Knoll and reducing its mining costs as it transitions to a Company owned mining fleet and substantially eliminates reliance on rental equipment. Other key areas of opportunity for reducing costs include a reduction in labour and reagent costs as mining and milling operations continue to attain steady state operations.

The Board of Directors has authorized management to proceed with ordering long lead time items required to expand the Aurora Mine capacity from 5,000 tpd to 8,000 tpd, which is expected to be completed in 2017. In addition, management has been authorized by the Board of Directors to significantly reduce the Company's debt balance to be funded through a combination of free cash flow and net proceeds from the recently completed public offering.

Exploration efforts will be ramped up over the remainder of the year at the Company's Sulphur Rose deposit, located approximately 23km from the Aurora Mine. Exploration work at Sulfur Rose will initially consist of an infill drill program, trenching and ground geophysics work. In addition, the Company will expand its review of exploration targets proximal to the Aurora Mine. Exploration activities will consist of an infill and follow-up drill program at the Powis Hill and Gold Creek prospects. Exploration activities in 2017 are expected to significantly ramp up and will be results driven.

This release should be read in conjunction with GGI's second quarter 2016 financial statements and MD&A report on the Company's website, www.guygold.com, in the "Financial Reports" section under "Investors", or on the SEDAR website at www.sedar.com.

Conference Call

Participants may join the call on Friday, August 12th by dialing North America toll free 1-888-231-8191 or 647-427-7450 for calls outside Canada and the U.S., and entering the participant passcode 51273782.

A live and archived webcast of the conference call will also be available at www.guygold.com under the Investors and Events & Presentations section or by clicking here <http://event.on24.com/r.htm?e=1227001&s=1&k=DAD51D2718F3EF1EB7CC8CD3C3B0977A>.

A recorded playback of the second quarter 2016 results call will be available until August 19, 2016 by dialing: 1-855-859-2056 or 416-849-0833 and entering the call back passcode 51273782.

¹ This is a non-GAAP measure. Refer to Non-GAAP Performance Measures section in the June 30, 2016 MD&A.

Non-GAAP Performance Measures

The Company has included certain non-GAAP performance measures in this document including total cash costs per ounce, all-in sustaining cost per ounce, total cash cost per ounce before royalty, and free cash flow. These measures are not defined under IFRS and should not be considered in isolation. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The inclusion of these measures is meant to provide additional information and should not be used as a substitute for performance measures prepared in accordance with IFRS. These measures are not necessarily standard and therefore may not be comparable to similar measures presented by other issuers.

The Company has applied the World Gold Council's June 2013 published guidance in reporting cash costs and all-in sustaining costs to its mining operations. Adoption of cash costs and all-in sustaining cost metrics is voluntary and not necessarily standard, and therefore, these measures presented by the Company may not be comparable to similar measures presented by other issuers. The Company believes that the cash costs and all-in sustaining cost measures complement existing IFRS measures reported by the Company.

Total cash costs per ounce

Total cash costs is a common financial performance measure in the gold mining industry but with no standard meaning under IFRS. The Company reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating cost performance.

Total cash costs include production and royalty costs. Production costs include mining, processing, refining and transportation, and site administration, and in total are then divided by gold ounces sold to arrive at total cash costs per gold ounce sold. This measure also includes other mine related costs incurred such as mine standby costs and any current inventory write downs. Production costs are exclusive of depreciation. Royalty costs are excluded from the above total cash costs figure to arrive at total cash costs per ounce – before royalty. Other companies may calculate these measures differently.

All-in sustaining cost per ounce

"All-in sustaining cost per ounce" is also a non-GAAP performance measure. The Company believes this measure more fully defines the total costs associated with producing gold; however, this performance measure has no standardized meaning. Accordingly, there may be some variation in the method of computation of "all-in sustaining cost per ounce" as determined by the Company compared with other mining companies. In this context, the Company calculates AISC as the sum of total cash costs (as described above), share-based compensation, corporate general and administrative expense, exploration and evaluation expenditures that are sustaining in nature, reclamation cost accretion, sustaining capital including deferred stripping, and realized gains and losses on diesel derivative contracts, all divided by the gold ounces sold to arrive at a per ounce figure.

Sustaining capital expenditures are expenditures that do not increase annual gold ounce production at a mine site and excludes expenditures at the Company's development projects as well as expenditures that are deemed expansionary in nature.

¹ This is a non-GAAP measure. Refer to Non-GAAP Performance Measures section in the June 30, 2016 MD&A.

Additional GAAP financial performance measures

The Company has included the additional IFRS measure "Earnings from mine operations" in the financial statements. Management believes that that "Earnings from mine operations" provides useful information to investors as an indication of the Company's principal business activities before consideration of how those activities are financed, and before sustaining capital expenditures, corporate general and administrative expenses, exploration and evaluation expenses, stock based compensation, non-mine related depreciation, net finance expenses, and taxation.

About Guyana Goldfields Inc.

Guyana Goldfields Inc. is a Canadian based mid-tier gold producer primarily focused on the exploration, development and operation of gold deposits in Guyana, South America. The 100%-owned Aurora Gold Mine achieved commercial production January 1, 2016 and has a total gold resource of 6.54 million ounces in the measured and indicated categories (62.83 million tonnes at 3.24 g/t Au) as well as an additional 1.82 million ounces in the inferred category (16.93 million tonnes at 3.34 g/t Au). For further details, please refer to the report entitled "AGM Inc. Aurora Gold Project- Updated Feasibility Study" dated January 18, 2016 available on SEDAR at www.sedar.com.

Forwarding-Looking Information

This news release contains "forward-looking information" which may include, but is not limited to, statements with respect to the estimation of mineral resources, future included principal debt repayments, the expectation that certain current liabilities will be funded from operating cash flows and subsequently eliminating the expectation that certain restricted cost overrun equity funds will be deposited in 2017 into debt service and mine closure restricted bank accounts at project completion, the expectation of reduced future mining costs and streamlining personnel as the Company transitions to a steady state mine operation. Often, but not always, forward-looking statements can be identified by the use of words and phrases such as "plans," "expects," "is expected," "budget," "scheduled," "estimates," "forecasts," "intends," "anticipates," or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur or be achieved. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on various assumptions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, the receipt of applicable regulatory approvals, among others, future included principal debt repayments, the expectation that certain current liabilities will be funded from operating cash flows and subsequently eliminating the expectation that certain restricted cost overrun equity funds will be deposited in 2017 into debt service and mine closure restricted bank accounts at project completion, the expectation of reduced future mining costs and streamlining personnel as the Company transitions to a steady state mine operation, fulfilling all conditions and payments pursuant to the Facility, general business, economic, competitive, political and social uncertainties; the actual results of exploration activities; changes in project parameters as plans continue to be refined; accidents, labour disputes and other risks of the mining industry; political instability; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in GGI's annual information form. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this news release and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

¹ This is a non-GAAP measure. Refer to Non-GAAP Performance Measures section in the June 30, 2016 MD&A.

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