

MONTREAL, QUEBEC--(Marketwired - March 29, 2016) - [Dynacor Gold Mines Inc.](#) (TSX:DNG)(OTC:DNGDF) (Dynacor or the Corporation) a corporation with gold and silver ore processing operations and exploration projects in Peru, has released its audited consolidated financial statements and management's discussion and analysis (MD&A) for the year ended December 31, 2015. These documents have been filed electronically with SEDAR at www.sedar.com and will be available on the Corporation's website www.dynacor.com.

(All figures in this press release are in millions of US\$ unless stated otherwise. Earnings per share and cash-flow per share are in US\$. All variance % are calculated from rounded figures.)

During the period ended December 31, 2015, the market gold price continued its downward trend which negatively affected the Corporation's sales, gross operating margin and net income as gold production remained constant with the previous year.

2015 Highlights

- Dynacor received its construction permit in March 2015 from the MEM for the Veta Dorada Plant and had completed approximately 75% of the project as at December 31, 2015 and at 90% as of today;
- Gold production of 67,604 ounces in 2015, compared to 68,923 ounces in 2014, a decrease of 1.9%;
- Sales of \$78.9 M in 2015, compared to \$88.2 M in 2014, a decrease of 10.5% due to the decline of the gold price in 2015;
- Gross operating margin of \$12.6 M (16.0%) in 2015, compared to \$16.5 M (18.7%) in 2014;
- Net income totaled \$3.2 M in 2015 (\$0.09 per share), compared to \$6.1 M in 2014 (\$0.17 per share), a decrease of 48.2%;
- EBITDA ⁽¹⁾ of \$8.3 M, compared to \$12.3 M in 2014, a decrease of 32.5%;
- Cash flow from operating activities, before change in working capital items of \$5.6 M (\$0.15 per share) ⁽¹⁾ compared to \$8.1 M (\$0.22 per share) ⁽¹⁾ in 2014;
- In October 2015, the Corporation completed a subscription transaction whereby the Corporation issued 850,175 common shares by way of a private placement in exchange for aggregate net proceeds of \$1.24 M;
- Cash on hand of \$6.1 M at year-end 2015, following investments at the Veta Dorada Plant and at the Tumipampa project, compared to \$14.0 M as at December 31, 2014;
- Gold production of 19,844 in Q4-2015 (including a record monthly production of 7,602 ounces in December 2015) compared to 19,923 ounces in Q4-2014.

(1) EBITDA: "Earnings before interest, taxes and depreciation" and Cash-flow per share are non-IFRS financial performance measures with no standard definition under IFRS. It is therefore possible that this measure could not be comparable with a similar measure of another Corporation. The Corporation uses this non-IFRS measure as an indicator of the cash generated by the operations and allows investor to compare the profitability of the Corporation with others by canceling effects of different assets bases, effects due to different tax structures as well as the effects of different capital structures.

2015 Overview

The continued decline of the market price of gold during 2015, affected the small scale miners' production which directly impacted the volume of ore-material available for procurement by the Corporation. However, the lower gold price resulted in higher ore grades being purchased and processed as compared to 2014. Despite these challenges, the Corporation's 2015 gold production amounted to 67,604 ounces, a slight decrease of 1.9%, as compared to 2014.

In March 2015, the Corporation announced it had obtained the construction permit for its new gold ore processing facility, the Veta Dorada Plant from the MEM. The Veta Dorada Plant will have an initial ore processing capacity of 300-tpd (102,000 t/y) and has been designed to be readily expanded to 450-tpd (153,000 t/y) and then to 600-tpd (204,000 t/y) by adding additional processing lines and ball mills. It is being built on a 135-hectare site that is part of a 200-hectare mining concession which was acquired by Dynacor in March 2011. This concession is located in the Department of Arequipa, District of Chala, in the heart of one of the most productive gold mining regions of Peru. Construction of the Veta Dorada Plant is in the final stages and should be completed in April 2016.

Financial statement highlights

(in \$'000)	For years ended December 31,	
	2015	2014
Sales	78,868	88,166
Cost of sales	66,244	71,684
Gross operating margin	12,624	16,482
General and administrative expenses	3,895	3,780
Operating income	7,392	11,210
Net income and comprehensive Income	3,158	6,095

EBITDA ⁽¹⁾	8,264	12,346
Net cash flow from operating activities before change in working capital items	5,648	8,056
Cash flow from operating activities	5,454	10,009
Earnings per share		
Basic	\$0.09	\$0.17
Diluted	\$0.08	\$0.16

Reconciliation of net comprehensive income to EBITDA ⁽¹⁾

Net comprehensive income	3,158	6,095
Income taxes	3,200	4,512
Financial expenses	119	114
Depreciation	1,787	1,625
EBITDA ⁽¹⁾	8,264	12,346

Results from operations:

During the year, the Metalex Plant processed 69,594 DMT of ore compared to 72,482 DMT in 2014, a decrease of 4.0%, and produced 67,604 ounces of gold (within our range of 64,000 to 68,000 forecasted production) compared to 68,923 ounces of gold in 2014, a slight decrease of 1.9% explained by a combination of lower throughput, slightly offset by higher ore grades.

Total sales in 2015 amounted to \$78.9 M, compared to \$88.2 M in 2014, a decrease of \$9.3 M. Net income for the year was \$3.2 M (\$0.09 per share) compared to \$6.1 M (\$0.17 per share) in 2014, a \$2.9 M decrease (48.2%) due to lower sales volume and lower average sale price per ounce of gold in 2015.

During the year ended December 31, 2015, general and administrative expenses amounted to \$3.9 M compared to \$3.8 M for the same period of 2014. Selling expenses are directly related to sales levels, which therefore explains the decrease of \$0.2 M as compared to 2014. During the year, US dollar gained 19.3% in value against the Canadian dollar and 14.3% in value against the Soles, which resulted in a foreign exchange loss of \$0.9 M (loss of \$0.5 M in 2014) on average cash balances and Peruvian sales tax (IGV) receivables held in those currencies. Income tax expense was reduced by \$1.5 M due to the decrease in operating income.

As at December 31, 2015, the Corporation's working capital amounted to \$13.0 M, including \$6.1 M in cash (\$20.9 M including, \$14.0 M in cash at December 31, 2014).

As previously disclosed on January 15, 2016, in view of the upcoming commissioning and start-up period for the Veta Dorada Plant, which will require ore stockpiling and additional financial resources, Dynacor secured credit facilities of up to \$10.0 M to ensure the diligent completion of construction and smooth transition of its ore processing operations to the Veta Dorada Plant (see press release dated January 15, 2016).

Fourth quarter results

Total sales in the fourth quarter of 2015 amounted to \$21.5 M, compared to \$25.1 M in 2014, a decrease of 14.3% due to lower sales volume and lower average sale price per ounce of gold in the fourth quarter of 2015. During the fourth quarter ended December 31, 2015, the Corporation recorded a net income of \$0.4 M (\$0.01 per share) versus \$1.4 M (\$0.04 per share) in the comparative period of 2014. The decrease of \$1.0 M is mainly due to the decrease in the gross operating margin of \$1.5 M, explained mainly by decrease in sales due to reduced average selling price, and lower sales volume and ore throughput. This was partially offset by a decrease in income tax expense for the period. Q4-2015 results were also affected by a \$0.2 M tax assessment relating to operations of 2011 and a \$0.2 M loss on foreign exchange as the US dollar increased in value affecting the monetary assets denominated in Soles, including IGV receivables.

Cash flow from operating, investing and financing activities and working capital

Operating Activities

During the year ended December 31, 2015, the cash flow from operations, before changes in working capital items, amounted to \$5.6 M (\$0.15 per share), compared to \$8.1 M (\$0.22 per share) in 2014. Total cash generated from operating activities amounted to \$5.5 M compared to \$10.0 M in 2014. Changes in working capital items decreased by \$0.2 M (increase of \$2.0 M in 2014) relating primarily to a decrease (\$0.5 M) in current tax liabilities, which was offset by an increase in trade and accounts payables

(\$0.3 M).

During the fourth quarter ended December 31, 2015, the total cash generated from operating activities, before changes in working capital items, amounted to \$1.0 M compared to \$1.9 M for the same period of 2014. This is predominantly related to the decrease in the gross operating margin of \$1.5 M.

Investing Activities

During the year the Corporation invested \$9.3 M (\$2.0 M in 2014) for the acquisition of property, plant and equipment. \$7.5 M was disbursed for the construction of the Veta Dorada Plant, \$1.2 M on the continuing operations at the Metalex Plant (predominantly for tailings ponds and equipment) and \$0.6 M for new vehicles obtained via capital leases and other equipment.

Investment to December 31, 2015, at the Veta Dorada Plant amounted to \$9.7 M (\$2.2 M as at December 31, 2014) and includes civil engineering, environmental, hydrogeological water and tailings studies, permitting expenses, consultant fees, earth movement, equipment purchases, construction of the worker's camp, administrative offices, warehouses, water well and communication tower. The heart of the Veta Dorada Plant was erected, concrete pads and walls were completed ready to ultimately accept four 150 tpd ball mills. Cyanide and carbon absorption tanks and two ball mills were positioned and anchored subsequent to year end.

Additions to exploration and evaluation assets during the year amounted to \$5.0 M (\$1.9 M in 2014)

Financing Activities

On October 26, 2015, the Corporation completed a subscription transaction, whereby Dynacor issued 850,175 common shares by way of a private placement in exchange for net proceeds of \$1.24 M.

A total of 291,056 options were exercised for proceeds of \$0.2 M (283,000 options exercised for gross proceeds of \$0.2 M in 2014).

Liquidity

As at December 31 2015, the Corporation's working capital amounted to \$13.0 M, including \$6.1 M in cash (\$20.9 M, including \$14.0 M in cash at December 31, 2014).

2016- Outlook

Ore processing

The Veta Dorada Plant is an important and strategic milestone for the Corporation. Therefore, 2016's focus will be set on the completion of the construction and the start-up of the production at the Veta Dorada Plant where the Corporation expects to take advantage of a much better milling site location (along the Pan American highway) and better process and cost efficiency to improve its operating results and ramp-up production.

The Veta Dorada Plant's overall construction is 90% complete. (Refer to March 22, 2016 press release "DYNACOR GOLD: VETA DORADA ORE PROCESSING PLANT CONSTRUCTION 90% COMPLETED). The milling, processing and crushing area of the plant have been erected and surrounding service and storage areas are being prepared. The load scale at the entrance of the plant site is also complete. Construction of the tailing pond is 90% complete and construction of the laboratory, desorption plant and the foundry buildings have commenced and will be completed in April 2016. The office building and employees' accommodations (the "Camp") have been completed and the recreational area is being completed. The Camp will host in excess of 150 people.

Total construction costs are now estimated to be approximately \$15.0 M, an excess of \$2.1 M or 16.3% above the March 2015 revised budget of \$12.9 M. The additional costs were incurred for: Additional earth movement and digging performed to reinforce the sand soil in the heart of the mill area which was determined to be too light to support the reinforced proposed structure; Civil works and plant assembly costs as we decided to add strength support to the erection of concrete walls and pads in the crushing and cyanide area equipment; Tailing pond work encountered unexpected large hard rocks at depth which necessitated changes the existing engineering plans in the pond design; Underestimate of plant assembly contract cost proposal; service expenses for longer completion period; As well, additional electrical equipment were required to comply with new Peruvian regulations in place.

The permitting process will commence once the MEM provides the Corporation with construction compliance approval, whereby the MEM will assess the mill construction in accordance with the plans originally submitted. This first step will then be followed by the request for the project water usage permit which will be delivered by the Ministry of Agriculture and Irrigation. Lastly, the

Corporation will file for the operating permit to be delivered by the MEM. The timeframe for these obligatory permits is expected to take between two to four months.

Dynacor plans to operate the Metalex Plant during 2016 until the Veta Dorada Plant begins commercial production and gold production guidance for 2016 will not be released until this time.

Exploration

Following the significant discovery of a copper-gold porphyry at the Tumipampa property in 2015, Dynacor's exploration team will increase the level of surface work in 2016 in this area, with the objective of identifying the best drill targets

ABOUT DYNACOR GOLD MINES INC.

Dynacor is a gold ore-processing and exploration Corporation active in Peru since 1996. The Corporation differentiates itself from pure exploration companies as it generates income from its wholly owned ore-processing plant. Dynacor's basic share count at 37.4 M outstanding is in the lowest quartile of the resource sector. The Corporation's assets include three exploration properties, including the advanced high-grade gold Tumipampa property and an operating 85,000 tpa capacity gold and silver ore processing mill at Metalex-Huanca. The Corporation is currently building a new 300 tpd ore processing plant in Chala (Southern Peru) and expects to begin operations in mid-2016. The Corporation's strength and competitive advantage comes with the experience and knowledge it has developed while working in Peru. Its pride remains in maintaining respect and positive work ethics toward its employees, partners and local communities.

FORWARD LOOKING INFORMATION

Certain statements in the foregoing may constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Dynacor, or industry results, to be materially different from any future result, performance or achievement expressed or implied by such forward-looking statements. These statements reflect management's current expectations regarding future events and operating performance as of the date of this news release.

[Dynacor Gold Mines Inc.](#) (TSX:DNG)

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