

MONTREAL, QUEBEC--(Marketwired - May 11, 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 unaudited condensed consolidated financial statements and the management's discussion and analysis ("MD&A") for the three-month period ended March 31, 2016.

These documents have been filed electronically with SEDAR at [www.sedar.com](http://www.sedar.com) and will be available on the Corporation's website [www.dynacor.com](http://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. Some additions might be incorrect due to rounding).*

Despite the challenging gold price environment, Dynacor recorded its 20th consecutive profitable quarter as it earned a net income of \$0.7 M (\$0.02 per share) for the quarter ended March 31, 2016, compared to \$1.3 M (\$0.04 per share) in 2015.

#### *Highlights for the first quarter of 2016*

- Gold production of 15,807 ounces in Q1-2016, compared to 15,558 ounces in Q1-2015, an increase of 1.6%;
- Sales of \$20.4 M in Q1-2016, compared to \$18.7 M in Q1-2015, an increase of 9.1%;
- Gross operating margin of \$3.0 M (14.6%) in Q1-2016, compared to \$3.6 M (19.1%) in Q1-2015, a decrease of 16.7%;
- EBITDA <sup>(1)</sup> of \$2.3 M in Q1-2016, compared to \$2.6 M in Q1-2015, a decrease of 11.5%;
- Cash flow from operating activities before changes in working capital items of \$1.5 M (\$0.04 per share) <sup>(2)</sup> in Q1-2016, compared to \$1.8 M (\$0.05 per share) <sup>(2)</sup> in Q1-2015;
- Cash on hand of \$7.3 M at March 31, 2016, compared to \$6.1 M as at December 31, 2015;
- On January 14, 2016, the Corporation entered into senior secured credit facilities (the "Facility") in the aggregate amount of up to \$10.0 M.
- Underground and surface exploration program continued at Tumipampa with encouraging findings in view of first upcoming resource calculation.

#### Overview

During the period, Dynacor completed most of the construction of its new ore processing facility, the Veta Dorada Plant, located in Chala, in the heart of one of the most productive gold mining regions of Peru. The plant will initiate production at a 300-tpd capacity (102,000 t/y), readily expandable to 450-tpd (153,000 t/y) and then to 600-tpd (204,000 t/y) by adding additional processing lines and ball mills. Upcoming construction update will follow shortly.

In January 2016, in view of the upcoming Veta Dorada Plant commissioning and start-up period, which will require ore stockpiling and additional financial resources, Dynacor entered into the Facility of up to \$10.0 M to help ensure the diligent completion of construction and smooth transition of its ore processing operations to the Veta Dorada Plant.

#### Results from operations:

During the first quarter ended March 31, 2016, the Corporation recorded a net income of \$0.7 M (\$0.02 per share) versus to \$1.3 M (\$0.04 per share) in the comparative period of 2015. The decrease of \$0.6 M is mainly due to the decrease in the gross operating margin of \$0.6 M, explained by decreased ore throughput and a reduced average selling price, which was slightly offset by an increase in gold production and higher sales volumes. In addition, finance costs of \$0.2 M related to the Facility were incurred during Q1-2016, which were offset by a decrease in income tax expense for the period.

During the three-month period ended March 31, 2016, the Metalex Plant processed 13,543 dry metric tonnes ("DMT") of ore compared to 17,130 DMT in Q1-2015, a decrease of 20.9%. Despite the lower volume processed, production amounted to 15,807 ounces of gold compared to 15,558 ounces of gold in Q1-2015, a slight increase of 1.6% due to the higher ore grades (1.23 oz/DMT in Q1-2016) as compared to the comparative period (0.95 oz/DMT in Q1-2015).

Total sales for the period amounted to \$20.4 M, compared to \$18.7 M in Q1-2015, an increase of \$1.7 M (9.1%). The higher sales are due to a 12.3% increase in equivalent ounces of gold sold, 17,309 oz in Q1-2016, as compared to 15,412 in Q1-2015.

The gross operating margin for the period amounted to \$3.0 M (14.6%) compared to \$3.6 M (19.1%), a \$0.6 M (23.6%)

decrease compared to Q1-2015. Overall, the Corporation expects that the gross margin % to be in the range of 15% to 20%. The gross operating margin of 14.6% for Q1-2016, is due to reduced gold price compared to Q1-2015 and a reduction of silver sales between periods. In Q1-2016, the Corporation sold 10,282 oz of silver compared with 35,019 oz in Q1-2015, a reduction of \$0.4 M in sales. In addition, the increase in non-cash depreciation negatively affected the gross margin for the period. Depreciation has increased primarily due to a reduced amortization period for the Metalex Plant, along with a higher asset retirement obligation included in property, plant and equipment. Overall, the gross operating margin attained continues to reflect the ability of Dynacor's business model to generate cash flow from operations even during a period where gold price was weaker (average gold price decrease of 3.0% compared to Q1- 2015).

#### *Financial statement highlights*

(in \$'000)	For three-month periods ended March 31,	
	2016	2015
Sales	20,427	18,748
Cost of sales	17,445	15,170
Gross operating margin	2,982	3,578
General and administrative expenses	882	796
Operating income	1,757	2,452
Net income and comprehensive Income	701	1,303
EBITDA <sup>(1)</sup>	2,262	2,574
Net cash flow from operating activities before change in working capital items	1,470	1,801
Cash flow from operating activities	585	2,112
Earnings per share		
Basic	\$0.02	\$0.04
Diluted	\$0.02	\$0.03
Reconciliation of net comprehensive income to EBITDA <sup>(1)</sup>		
Net comprehensive income	701	1,303
Income taxes	693	845
Financial expenses	236	28
Depreciation	632	398
EBITDA <sup>(1)</sup>	2,262	2,574

<sup>(1)</sup> EBITDA: "Earnings before interest, taxes and depreciation" is a non-IFRS financial performance measure 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 investors to compare the profitability of the Corporation with others by cancelling effects of different assets bases, effects due to different tax structures as well as the effects of different capital structures.

<sup>(2)</sup> Cash-flow per share is a non-IFRS financial performance measure 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 which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.

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

##### *Operating Activities*

During the three-month period ended March 31, 2016, the cash flow from operations, before changes in working capital items, amounted to \$1.5 M (\$0.04 per share), compared to \$1.8 M (\$0.05 per share) in Q1-2015. Total cash generated from operating activities amounted to \$0.6 M compared to \$2.1 M in Q1-2015. Changes in working capital items decreased by \$0.9 M (increase of \$0.3 M in Q1-2015) relating primarily to a decrease (\$0.9 M) in trade and other receivables and current tax assets (\$0.2 M), which was offset by an increase in inventories (\$0.2 M).

##### *Investing Activities*

During the quarter ended March 31, 2016, the Corporation invested \$3.5 M (\$0.9 M in Q1-2015 for the acquisition of property, plant and equipment, relating to the construction of the Veta Dorada Plant.

Investments made at Tumipampa during the three-month period ended March 31, 2016, amounted to \$0.5 M (\$0.6 M in Q1-2015).

##### *Financing activities*

On January 14, 2016, the Corporation entered into the Facility in the aggregate amount of up to \$10.0 M with third party lenders. The Facility consists of a \$7.0 M drawdown term loan facility (the "Term Loan") and a \$3.0 M revolving facility. The Term Loan has a term of up to thirty-six months and bears interest at a rate of 10% per annum. The revolving facility has a term of twelve months, which may be extended for up to two additional periods of twelve months, and bears annual interest at a rate of 8.5% or prime rate plus 6% per annum, whichever is greater. The Facility can be reimbursed at any time without any penalties. In conjunction with the loan, the Corporation has agreed to issue to the lenders, 950,000 common share purchase warrants ("Warrants"), each Warrant being exercisable at a price of CA \$1.83 per common share of Dynacor and expiring on January 14, 2019. The Corporation may accelerate the expiry time of the Warrants if, at any time, the closing price of the common shares of Dynacor on the TSX is 15% or more above the exercise price for a period of twenty consecutive trading days. This criterion has been met on May 2, 2016, and therefore the Corporation is now in a position to request the exercise of the Warrants at any time.

As at March 31, 2016, the Corporation had drawn \$5.0 M on the Term Loan, paid \$0.3 M in transaction costs and \$0.1 M in interest.

### *Liquidity*

As at March 31, 2016, the Corporation's working capital amounted to \$15.2 M, including \$7.4 M in cash (\$13.0 M, including \$6.1 M in cash at December 31, 2015).

### 2016-Ore processing outlook

The Veta Dorada Plant's overall construction is almost 100% complete with only electrical panels, delivery of which was delayed, but now has been received and will be installed.

This is an important and strategic milestone for the Corporation 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 recent increase in the market price of gold should stimulate small scale production and therefore, the Corporation expects an increase in production ahead.

The Corporation will initiate in May the pre-commissioning of the Veta Dorada Plant by first running the facilities dry, and then the commissioning running the Plant with water and mineral. We expect that the MEM will visit the plant site in late May or early June, to perform the compliance observation of the construction project. 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 operation permit to be delivered by the MEM. The expected timeframe, beginning in early May for the obtaining of those obligatory permits is between two and four months. Management is confident to start up the new Veta Dorada Plant by mid-summer 2016.

Dynacor plans to operate the Metalex Plant during 2016 until the Veta Dorada Plant begins commercial production. Management is evaluating different scenarios pertaining to the Metalex Plant once the Veta Dorada Plant begins operations.

### 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. The Corporation recently obtained its permit to construct its brand new Veta Dorada Plant. This represents an important milestone for the Corporation's future growth. 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.

Website: <http://www.dynacor.com>

Twitter: <http://twitter.com/DynacorGold>

Facebook: [facebook.com/DynacorGoldMines](https://facebook.com/DynacorGoldMines)

Shares outstanding: 37,426,911

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