

MONTREAL, QUEBEC--(Marketwired - Aug 15, 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 and six-month periods ended June 30, 2016.

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. Some additions might be incorrect due to rounding).

With the continued increase in the world market price of gold, Dynacor recorded its 21st consecutive profitable quarter in the three-month period ended June 30, 2016 ("Q2-2016") as it earned a net income of \$1.1 M or \$0.03 per share in Q2-2016, compared to \$0.8 M or \$0.02 per share in the three-month period ended June 30, 2015 ("Q2-2015"). For the six-month period ended June 30, 2016 ("Ytd-2016"), the Corporation earned a net income of \$1.8 M or \$0.05 per share, compared to \$2.1 M or \$0.06 per share in the six-month period ended June 30, 2015 ("Ytd-2015").

Highlights for the second quarter of 2016

- Gold production of 17,525 ounces in Q2-2016 (33,332 ounces in Ytd-2016), compared to 16,594 ounces for Q2-2015 (32,152 ounces in Ytd-2015);
- Sales of \$21.5 M in Q2-2016 (\$41.9 M in Ytd-2016), compared to \$20.2 M in Q2-2015 (\$39.0 M in Ytd-2015), an increase of 6.4% between quarters (increase of 7.4% over Ytd-2015);
- Gross operating margin of \$3.1 M (14.5%) in Q2-2016 (\$6.1 M and 14.5% in Ytd-2016), compared to \$3.4 M (16.6%) in Q2-2015 (\$6.9 M and 17.8% in Ytd-2015);
- EBITDA ⁽¹⁾ of \$2.3 M in Q2-2016 (\$4.6 M for Ytd-2016), compared to \$2.0 M in Q2-2015 (\$4.6 M for Ytd-2015), an increase of 10.7% between quarters;
- Cash flow from operating activities before change in working capital items of \$1.6 M or \$0.04 per share⁽²⁾ in Q2-2016 (\$3.0 M or \$0.08 per share⁽²⁾ for Ytd-2016), compared to \$1.5 M or \$0.04 per share⁽²⁾ in Q2-2015 (\$3.3 M or \$0.09 per share⁽²⁾ for Ytd-2015);
- Cash on hand of \$5.1 M at June 30, 2016, compared to \$6.1 M as at December 31, 2015;
- On June 15, 2016, 950,000 common shares were issued in exchange for warrants for total cash consideration of \$1.3 M.

Overview

During the period, Dynacor completed 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 Veta Dorada Plant will initiate production at a 300-tpd capacity (102,000 t/y) and management is planning to increase its ore processing capacity to 360 tpd as soon as possible thereafter. It is designed to be 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.

On June 13, 2016, the Ministry of Energy and Mines of Peru ("MEM") officially approved the Veta Dorada Plant's construction and issued an affidavit stating that the plant is compliant with the applicable Peruvian regulations. On July 28, 2016, the Corporation announced that the Peruvian Water Authority ("ANA") approved the water usage permit for the Veta Dorada Plant. By Q3-2016, the Veta Dorada Plant should begin operating and Dynacor expects that this modern, well designed and efficient plant will lead to considerable operating cost savings in the following areas: energy, transport, tailing management and lower overall per unit costs due to a higher ore throughput.

Results from operations:

Overall, the Metalex Plant averaged a daily ore throughput rate of 198 tpd in Q2-2016 (179 tpd for Ytd-2016) compared to 203 tpd in Q2-2015 (203 tpd for Ytd-2015), a 2.5% decrease over Q2-2015 (11.8% decrease over Ytd-2015). However, ore head grade for Q2-2016 increased by 7.8% (increase of 18.4% over Ytd-2015), which had a positive impact on the Corporation's production. Although the Metalex Plant processed 16,847 dry metric tonnes ("DMT") of ore in Q2-2016 (30,391 DMT for Ytd-2016) compared to 17,242 DMT in Q2-2015 (34,372 DMT for Ytd-2015), a decrease of 2.3% (a decrease of 11.6% over Ytd-2015), it produced 17,525 ounces of gold in Q2-2016 (33,332 ounces for Ytd-2016), as compared to 16,594 ounces of gold in Q2-2015 (32,152 ounces for Ytd-2015).

Total gold and silver sales in Q2-2016 amounted to \$21.5 M (\$41.9 M for Ytd-2016), compared to \$20.2 M in Q2-2015 (\$39.0 M for Ytd-2015), an increase of \$1.3 M or 6.4% over Q2-2015 (an increase of \$2.9 M or 7.4% over Ytd-2015). Net income was \$1.1 M in Q2-2016, compared to \$0.8 M in Q2-2015, an increase of 30.5% due to the increase in ounces produced, relating to the higher ore grade of 1.10 oz/DMT as compared to 1.02 oz/DMT in Q2-2015, which was slightly offset by lower volumes processed.

The gross operating margin for the period amounted to \$3.1 M (14.5%) compared to \$3.4 M (16.6%), a \$0.3 M (6.9%) decrease

compared to Q2-2015. Overall, the Corporation expects that the gross margin % to be in the range of 15% to 20%. The gross operating margin of 14.5% for Q2-2016, is below expectations due to a higher relative cost per ton of ore compared to Q2-2015 and a reduction of silver sales between periods. 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 tailing and 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 despite a volatile market price of gold.

Financial statement highlights

(in \$'000)	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2016	2015	2016	2015
Sales	21,521	20,220	41,949	38,968
Cost of sales	18,401	16,869	35,846	32,039
Gross operating margin	3,121	3,351	6,103	6,929
General and administrative expenses	1,116	1,316	1,998	2,112
Operating income	1,726	1,708	3,483	4,160
Net income and comprehensive Income	1,066	819	1,767	2,122
EBITDA ⁽¹⁾	2,268	2,046	4,551	4,620
Net cash flow from operating activities before change in working capital items	1,551	1,548	3,021	3,349
Cash flow from operating activities	441	2,081	1,027	4,193
Earnings per share				
Basic	\$0.03	\$0.02	\$0.05	\$0.06
Diluted	\$0.03	\$0.02	\$0.05	\$0.06
Reconciliation of net comprehensive income to EBITDA ⁽¹⁾				
Net comprehensive income	1,066	819	1,767	2,122
Income taxes	594	748	1,287	1,593
Financial expenses	87	32	323	60
Depreciation	571	447	1,203	845
Gain on revaluation of financial instrument	(50)	-	(29)	-
EBITDA ⁽¹⁾	2,268	2,046	4,551	4,620

(1) 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 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.

(2) 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 Q2-2016, the cash flow from operations, before changes in working capital items, amounted to \$1.6 M or \$0.04 per share (\$3.0 M or \$0.08 per share for Ytd-2016), compared to \$1.5 M or \$0.04 per share in Q2-2015 (\$3.3 M or \$0.09 per share for Ytd-2015). These variations are primarily related to the changes in net income between the comparative periods, a \$0.2 M increase in Q2-2016 and a decrease of \$0.4 M for Ytd-2016.

During Q2-2016, total cash generated from operating activities amounted to \$0.4 M compared to \$2.1 M in Q2-2015. Changes in working capital items decreased by \$1.1 M (increase of \$0.5 M in Q2-2015) relating primarily to an increase in inventory (\$1.2 M) and trade and other receivables (\$0.7 M), offset by an increase in trade and other payables (\$0.9 M).

For Ytd-2016, total cash generated from operating activities amounted to \$1.0 M, compared to \$4.2 M in the comparative period. Changes in working capital items decreased by \$2.0 M (increase of \$0.8 M in the comparative period) relating primarily to an increase in inventory (\$1.0 M) and trade and other receivables (\$1.6 M), which was offset by an increase in trade and other payables (\$0.9 M).

Investing Activities

During Q2-2016, the Corporation invested \$2.9 M (\$6.4 M for Ytd-2016) for the acquisition of property, plant and equipment, mainly relating to the construction of the Veta Dorada Plant. Accumulated construction and pre-commissioning costs at June 30, 2016, for the Veta Dorada Plant amount to \$16.2 million. Adjustments, upgrades, and additions to the circuit have been performed as part of current tests which will be ongoing through start-up. Additional investments were also required for increase water supply and service buildings.

Additions to exploration and evaluation assets during Q2-2016, amounted to \$0.2 M (\$0.7 M for Ytd-2016).

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. On June 15, 2016, the Warrants were redeemed and 950,000 common shares were issued for total cash consideration of \$1,345,180.

As at June 30, 2016, the Corporation had drawn \$5.0 M on the Term Loan, made repayments of \$0.7 M and paid \$0.5 M in transaction and interest costs.

Liquidity

As at June 30, 2016, the Corporation's working capital amounted to \$14.0 M, including \$5.1 M in cash (\$13.0 M, including \$6.1 M in cash at December 31, 2015).

2016- Ore processing outlook

The completion of the Veta Dorada Plant is an important and strategic milestone for the Corporation. Therefore, the focus for the remainder of the year, will be set on receiving the last necessary permit, the operating permit, and on 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 100% complete. The pre-commissioning phase of the Veta Dorada Plant has begun, running the facilities dry. With the water permit recently obtained, the Corporation enters the following procedures of the project which consist of:

1. Wet Running: Wet running is used to test the units individually (crushing, milling, conveyor belts, etc.), ensuring that each sub-unit is functioning correctly.
2. Operational running: A complete test using mineralized ore, crushing and milling as well as chemical extraction and gold recovery. During this stage all the processes are tested but the yield is not measured.

Some required and normal equipment adjustments and upgrades were made and any necessary replacements of the circuit parts will be done if required, in order to facilitate start-up and avoid as much as possible downtime at this next phase leading to commercial production.

At the beginning of August, the Corporation filed for the operating permit to be delivered by the MEM. The expected timeframe for the delivery of this permit is three weeks. Management is planning to launch start-up of the new Veta Dorada Plant promptly following reception of the operating permit.

Dynacor plans to operate the Huanca Metalex Plant until the Veta Dorada Plant begins production start-up. Management is evaluating different scenarios pertaining to the Huanca Metalex Plant once the Veta Dorada Plant begins operations and mineralized material volume are known.

Dynacor Announces the Election of Its Board of Directors

Dynacor announces that, at the annual meeting of shareholders held on June 21, 2016, each of the six nominees listed in the Management Information Circular filed on May 20, 2016, with regulatory authorities were elected as directors of the Corporation.

Based on the proxies received and the votes on a show of hands, the following individuals were elected as directors of the Corporation until the next annual shareholders' meeting. Accordingly, the results are set out below:

Nominees	Votes cast FOR	% of votes cast FOR	Votes cast WITHHELD	% of votes cast WITHHELD
Eddy Canova	11 392 308	99.75 %	28 244	0.25 %
Roger Demers	11 393 833	99.77 %	26 719	0.23 %
Jean Depatie	11 394 917	99.78 %	25 635	0.22 %
Marc Duchesne	11 245 117	98.46 %	175 435	1.54 %
Pierre Lépine	8 168 831	71.53 %	3 251 721	28.47 %
Jean Martineau	11 385 917	99.70 %	34 635	0.30 %

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 38.4 million 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 gold and silver ore processing mill at Metalex-Huanca. The Corporation is currently commissioning its 300 new tpd ore processing plant in Chala (Southern Peru) and expects to begin operations during Q3-2016. The completion of this new plant 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://www.facebook.com/DynacorGoldMines)

Shares outstanding: 38,378,911

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