

Q1-2018: Dynacor Reports Net Income of US \$1.6 M

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MONTREAL, May 16, 2018 (GLOBE NEWSWIRE) -- [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, 2018.

Quarterly gold production (in oz.): Planned and executed

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).

Dynacor recorded its 28th consecutive quarter of profits which saw its net income increase by 77.8% over 2017, as it earned a net income of \$1.6 M (\$0.04 per share) compared to \$0.9 M (\$0.02 per share) for the three-month period ended March 31, 2017 ("Q1-2017").

Highlights for the first quarter of 2018

(Variance %, are calculated based on rounded figures)

Strategic

- The Corporation has planned its drilling campaign which will test the disseminated zone of its flagship gold project, Tumipampa, to begin during Q2-2018.

Operational

- Gold production of 19,072 ounces, an increase of 11.4% compared to Q1-2017;
- Dynacor continued the site restoration of its old Huanca Metalex plant.

Financial

- Sales of \$26.6 million in Q1-2018, an increase of 7.7% compared to Q1-2017;
- Gross operating margin of \$3.6 million (13.6%) in Q1-2018, an increase of 16.1% compared to Q1-2017;
- Net income and comprehensive income of \$1.6 million in Q1-2018 (\$0.04 per share), an increase of 77.8% compared to Q1-2017;
- EBITDA ⁽¹⁾ of \$3.0 million in Q1-2018, an increase of 20.0% compared to Q1-2017;
- Cash flow from operating activities before change in working capital items of \$2.4 million and \$0.06 per share ⁽²⁾ in Q1-2018, an increase of 33.3% compared to Q1-2017;
- Cash on hand of \$8.6 million in Q1-2018 compared with \$4.8 million at year-end 2017.

Recent events

- The Toronto Stock Exchange has approved the Corporation's request to establish a normal course issuer bid share buyback program.
- Mrs. Isabel Rocha was nominated to the Board of Directors of the Corporation. Mrs. Rocha has lengthy experience in environmental and social governance both internationally and in Latin America.

(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.

Overview Q1-2018

In Peru, the rainy season occurs during the first quarter of the year where production has historically been lower than for all other quarters. Nevertheless, during the quarter ended March 31, 2018, the Corporation continued increasing its level of ore purchased which lead to an increased production (21,035 tonnes processed a 25.2% increase compared to the same period of 2017), in line to our 360 tpd production forecast in December 2018.

Total sales amounted to \$26.6 million compared to \$24.7 million in Q1-2017, a 7.7% increase due to increase gold price (\$2.3 million) and slight decrease due to sales volumes (\$-0.4 million). Q1-2017 volume had been positively impacted by the high level of ore in process at year-end 2016 which turned into 2017 sales.

Results from operations

Financial statement highlights

(in \$'000)	For the three-month periods ended March 31,	
	2018	2017
Sales	26,590	24,728
Cost of sales	(22,966)	(21,628)
Gross operating margin	3,624	3,100
General and administrative expenses	(1,120)	(1,074)
Transition, maintenance and other expenses	-	(187)
Selling expenses	(3)	(3)
Operating income	2,501	1,836
Net income and comprehensive income	1,601	937
Earnings per share		
Basic	\$ 0.04	\$ 0.02
Diluted	\$ 0.04	\$ 0.02

The gross operating margin amounted to \$3.6 M in Q1-2018 compared to \$3.1 M for the same period in 2017 due to higher sales.

Net income was \$1.6 M for the three-month period ended March 31, 2018, compared to \$0.9 M for the same period in 2017. The quarter increase in net income compared to 2017 is explained by the increase in gross operating margin combined with the absence of interest on the long-term loan and of transition costs in Q1-2018.

Reconciliation of net income and comprehensive income to EBITDA

	For the three-month periods ended March 31,	
	2018	2017
Net income and comprehensive income	1,601	937
Income taxes	742	654
Financial expenses	69	294
Depreciation	558	648
EBITDA	2,970	2,533

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

Operating activities

During Q1-2018, the cash flow from operations, before changes in working capital items, amounted to \$2.4 M, compared to \$1.8 M in Q1-2017. This increase between quarters is primarily explained by the increase in net income combined with the decrease in unrealized foreign exchange gain (\$0.2 M) partially offset by the absence of interest on the long-term loan (\$0.2 M) in Q1-2018.

During Q1-2018, total cash from operating activities amounted to \$4.4 M compared to \$3.1 M in Q1-2017. Changes in working capital items amounted to \$2.0 M compared to \$1.3 M in 2017.

Investing Activities

During Q1-2018, there were limited investments of \$0.3 M for the acquisition of property, plant and equipment (\$0.2 M for the same period in 2017) mainly relating to the additions to the Chala plant. Additions to exploration and evaluation assets during Q1-2018 amounted to \$0.1 M (similar to Q1-2017).

Financing Activities

In Q4-2017, the Corporation fully reimbursed the long-term loan thirteen months before the term. In Q1-2017, the transaction costs and interests represented \$0.3 M. In Q1-2018, the Corporation continued the site restoration of its old Huanca Metalex plant and therefore reducing its asset retirement obligation by \$0.5 M. Work should be completed as expected and within budget in the second quarter of 2018. Government approval of work performed should be received upon inspection in the following months.

Liquidity

As at March 31, 2018, the Corporation's working capital amounted to \$17.7 M, including \$8.6 M in cash (\$16.0 M, including \$4.8 M in cash at December 31, 2017).

Outlook 2018

Ore processing

Dynacor expects 2018 to be its best year ever with a gold production estimated between 90,000 and 94,000 ounces. The gold production target for 2018 is based on the current price of gold and current operating conditions. The corporation expects to return to its full 300 tpd capacity soon after the rainy season and plans to expand the capacity to 360 tpd by the end of the year.

During Q1-2018, the Corporation produced 19,072 oz of gold in line with the 2018 forecasts of between 90,000 to 94,000 oz of gold.

A photo accompanying this announcement is available at

<http://resource.globenewswire.com/Resource/Download/e76c11c1-a54e-42da-8a24-943d49165741>

Exploration

Following a new agreement with one of the two local communities, the drilling program will begin after the reception of the exploration permit and after the completion of the IP Geophysics on the disseminated mineralization on the Quartzites and on the Sumac Brecciated Quartzite zone. The approved budget is \$2.4 million over the next 24 months.

During Q2-2018, the Corporation will finalize the selection of drill targets with the compilation of geological surface mapping, geochemical rock assays, MMI soil geochemistry and detailed IP survey results, all compiled to select favorable drill targets to be carried out at the end of Q2-2018 and/or beginning of Q3-2018.

ABOUT DYNACOR GOLD MINES INC.

[Dynacor Gold Mines Inc.](#) is a gold production corporation headquartered in Montreal, Canada. The corporation is engaged in production through its government approved ore processing operations. At present, Dynacor produces and explores in Peru where its management team has decades of experience and expertise. In 2017, Dynacor produced 79,897 ounces of gold and its production guidance for 2018 is 90-94,000 ounces of gold. Dynacor trades on the Toronto Stock Exchange (DNG) and the OTC in the United States under the symbol (DNGDF).

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) (OTC:DNGDF)

Website: <http://www.dynacor.com>
Twitter: <http://twitter.com/DynacorGold>
Facebook: [facebook.com/DynacorGoldMines](https://www.facebook.com/DynacorGoldMines)

Shares outstanding: 39,634,344

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