MONTREAL, QUEBEC--(Marketwired - Aug 14, 2017) - [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-months periods ended June 30, 2017.

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 %, except for net income, are calculated from rounded figures. Some additions might be incorrect due to rounding).

In a period where heavy rains which impacted on the volume of ore provided to its Veta Dorada mill in Chala, Peru (*Refer to June 19th, 2017 press release*), Dynacor recorded its 25th consecutive profitable quarter for the three-month period ended June 30, 2017("Q2,-2017") as it earned a net income of $0.3 M or $0.01 per share, compared to $1.1 M or $0.03 per share for the three-month period ended June 30, 2016 ("Q2-2016").

Highlights for the second quarter of 2017

(*Variance %, are calculated based on rounded figures)*

- Gold production of 18,185 ounces in Q2-2017 (35,310 ounces for the six-month period ended June 30, 2017), compared to 17,525 ounces for Q2-2016 (33,332 ounces for the six-month period ended June 30, 2016), an increase of 3.8% between quarters (increase of 5.9% over the six-month period ended June 30, 2016);
- Sales of $21.8 M in Q2-2017 ($46.5 M for the six-month period ended June 30, 2017), compared to $21.5 M in Q2-2016 ($41.9 M for the six-month period ended June 30, 2016), an increase of 1.4% between quarters (increase of 11.0% over the six-month period ended June 30, 2016);
- Gross operating margin of $2.7 M (12.4%) in Q2-2017 ($5.8 M and 12.5% for the six-month period ended June 30, 2017), compared to $3.1 M (14.4%) in Q2-2016 ($6.1 M and 14.6% for the six-month period ended June 30, 2016), a decrease in dollars of 12.9% from Q2-2016;
- EBITDA(1) of $2.0 M in Q2-2017 ($4.6 M for the six-month period ended June 30, 2017), compared to $2.3 M in Q2-2016 ($4.6 M for the six-month period ended June 30, 2016), a decrease of 13% between quarters;
- Cash flow from operating activities before change in working capital items of $1.4 M and $0.04 per share(2) in Q2-2017 ($3.2 M and $0.08 per share(2) for the six-month period ended June 30, 2017), compared to $1.6 M and $0.04 per share(2) in Q2-2016 ($3.0 M and $0.08 per share(2) for the six-month period ended June 30, 2016);
- Cash on hand of $9.5 M at June 30, 2017, compared to $6.2 M as at December 31, 2016.

Recent event

- Subsequent to quarter end, the Corporation executed a partial prepayment of $1.0 M on its outstanding debt, reducing the total principal balance owed to $5.3 M.

Overview

The Veta Dorada Plant was officially inaugurated on October 3, 2016. This plant is the stepping stone for the future growth of our processing activities in Peru.

The first half of 2017 was highlighted by extremely heavy rainfalls, occurring mostly in March and up to mid-April and which caused extensive flooding and loss of lives in the northern regions of Peru. El Nino like conditions that deployed near Peru's coast affected the overall miners' production and transport conditions entering the second quarter of 2017. As well, the current ore purchase market conditions are very competitive, as available ore supply is down due to the ongoing volatile gold price and unfavorable climate conditions.

Despite these challenges, the gross operating margin obtained at the Veta Dorada Plant in Q2-2017 was 12.4% consistent with Q1-2017 (12.5%), and better compared to the 9.5% margin during its initial quarter of operations in Q4-2016.

During Q2-2017, monthly gold production has progressively increased and reached a yearly high of 6,895 oz in June. The lack of accumulated ore inventory at March 31, 2017 and the extreme weather conditions, affected the Corporation's overall gold production during Q2-2017. In that period the Corporation produced 18,185 ounces of gold in Q2-2017, as compared to 17,525 ounces of gold in Q2-2016, an increase of 3.8%. Nevertheless, production increased by 6.0% from the 17,125 ounces produced in the previous quarter (Q1-2017) (*refer to July 21, 2017 press release*).

Overall for the first six-months of 2017, the Corporation produced 35,310 ounces of gold in the six-month period ended June 30, 2017, as compared to 33,332 ounces of gold in the six months ended June 30, 2016, a 5.9% increase.

Results from operations:

Total sales amounted to $21.8 M (cumulative of $46.5 M for the six-month period ended June 30, 2017), compared to $21.5 M for Q2-2016 ($41.9 M for the six-month period ended June 30, 2016), an increase of 1.4% between quarters (increase of 11.0% over the six-month period ended June 30, 2016).

The gross operating margin amounted to $2.7 M in Q2-2017 (cumulative of $5.8 M for the six-month period) compared to $ 3.1 M and $ 6.1 M for the same periods in 2016. In 2017 gross margin was reduced by a sales discount which reduced sales, in lieu of selling expenses which were all supported by our customer in 2017. Even though this had no effect on the Corporation's net income, the gross margin was reduced by approximately $0.2 M and $0.4 M in the three-month and six-month period of 2017. As well, the gross operating margin is affected by higher operation expenses due to the larger scale operation at the Veta Dorada plant. Those expenses are to be reduced with increase production.

Net income was $0.3 M for the three-month period ended June 30, 2017 ($1.2 M for the six-month period ended June 30, 2017), compared to $1.1 M for the three-month period ended June 30, 2016 ($1.8 M for the six-month period ended June 30, 2016. The quarter decrease in net income compared to 2016 is explained by the $ 0.3 M decrease in the gross operating margin as well as increases in transition expenses of $0.2 M, in financial expenses of $0.2 M, in other expenses of $0,2 M, in tax expenses of $0.1 M and positively by a decrease of $0.3 M in selling expenses.

Jean Martineau, Dynacor's CEO and President commented, "Despite the worst rainy season in the last 20 years in Peru, we have achieved solid operational results. We have managed to increase not only our gold production but also our ore purchases and ore processing volumes compared to the first quarter of 2017 and 2016 six-month period. This clearly shows the impact of our new plant and sustained efforts on the ground. Now we have to overcome our challenges, fill-up the plant capacity as soon as possible and fine tune our production cost to achieve better cost per unit results."

Financial statement highlights

	Three-month periods en	
(in $'000)	2017	2016
Sales	21,754	2
Cost of sales	19,056	1
Gross operating margin	2,698	3
General and administrative expenses	1,055	1
Operating income	1,444	1
Net income and comprehensive Income	284	1
EBITDA(1)	2,045	2
Net cash flow from operating activities before change in working capital items	1,404	1
Cash flow from operating activities	1,425	4
Earnings per share		
Basic	$ 0.01	$ 0
Diluted	$ 0.01	$ 0
Reconciliation of net comprehensive income to EBITDA(1)		
Net comprehensive income	284	1
Income taxes	733	5
Financial expenses	291	8
Depreciation	643	5
Write-off of exploration and evaluation assets	94	-
Gain on revaluation of financial instrument	-	(5
EBITDA (1)	2,045	2
Reconciliation of net cash flow from operating activities before change in working capital items per share(2)		
Net cash flow from operating activities before change in working capital items (in $'000)	1,404	1
Basic weighted average number of common shares outstanding ('000)	38,754	3
Net cash flow from operating activities before change in working capital items per share(2)	$ 0.04	$ 0

(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 Q2-2017, the cash flow from operations, before changes in working capital items, amounted to $1.4 M ($3.2 M for the six-month period ended June 30, 2017), compared to $1.6 M in Q2-2016 ($3.0 M for the six-month period ended June 30, 2016). This reduction is primarily explained by the decrease in net income between quarters, mostly offset by the increase in interest expense, increase in deferred tax expense and the write-off of exploration and evaluation assets for $0.1 M during the quarter.

During Q2-2017, total cash from operating activities amounted to $1.4 M compared to $0.4 M in Q2-2016. Changes in working capital items increased by $0.02 M (decrease of $1.1 M in Q2-2016).

For the six-month period ended June 30, 2017, total cash generated from operating activities amounted to $4.5 M, compared to $1.0 M in 2016. Changes in working capital items amounted to $1.3 M (decrease of $2.0 M in the comparative period) relating primarily to a decrease in inventory ($2.2 M), which was offset by a decrease in trade and other receivables ($0,2 M) and an increase in trade and other payables ($0.8 M).

Investing activities

During Q2-2017, the Corporation invested $0.2 M ($0.5 M for the six-month period ended June 30, 2017) for the acquisition of property, plant and equipment ($3.0 M and $ 6.4 M for the same periods in 2016). Additions to exploration and evaluation assets during Q2-2017, amounted to $0.2 M ($0.3 M for the six-month period ended June 30, 2017) compared to $0.2 M and $0.7 M for the same periods in 2016.

The decrease from the comparative periods was expected as the Veta Dorada Plant is no longer in construction and the next phase of the Tumipampa exploration has not yet commenced.

As a non cash transaction During the three-month period ending June 30, 2017, considering the ongoing inability to perform any exploration work in this agricultural region, the Company did not renew the Casaden claims and consequently the amount of $0.1 M capitalized as mining right cost was written-off into the statement of comprehensive income as at June 30, 2017.

Financing activities

In the first six-months of 2017, financing activities relate primarily to the payment of interest and transaction costs for the term loan. Interest expenses paid during the period amounted to $0.2 M ($0.1 M in 2016) and ($0.3 M for the six-month period ended June 30, 2017 ($0.2 M in 2016)).

Working capital

As at June 30, 2017, the Corporation's working capital amounted to $18.0 M, including $9.5 M in cash ($15.8 M, including $6.2 M in cash at December 31, 2016).

Outlook 2017

Ore processing

The objective for the remainder of 2017 is to control and reduce production costs and ramp up production at the Veta Dorada Plant to its current 300-tpd capacity. Approval for capacity increase to 360 tpd has been obtained, however until full consistent production volume at 300 tpd is achieved and mineralized material inventory accumulates, the capital investment to increase capacity will be delayed on a month to month basis.

The production objective for 2017 was set between 88,000 and 92,000 ounces of gold. However with the described issues affecting ore supply and with roads still not fully open for transport, we have adjusted our target down to between 78,000 and 80,000 ounces. As at June 30, 2017, the Corporation production amounts to 35,310 ounces of gold.

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 2016, Dynacor produced 73,476 ounces of gold, a 9% increase as compared with 2015 (67,603 ounces in 2015). For 2017, the corporation revised its production target to between 78,000 and 80,000 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)

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