

MONTREAL, QUEBEC--(Marketwired - March 30, 2015) - [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 the management's discussion and analysis "MD&A" for the year ended December 31, 2014.

The audited consolidated financial statements along with the MD&A are available on the Corporation's website www.dynacor.com and the documents have been filed electronically with SEDAR at www.sedar.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).

For the year ended December 31, 2014, the Corporation recorded a net income of \$6.1M (\$0.17 per share) compared to \$9.1M (\$0.25 per share) in 2013 (which was a record breaking year in terms of production and sales), a 33.3% decrease due to lower sales caused by the temporary stoppage of operations in Q1-2014 which led to a lower production volume and a lower average gold price.

2014 HIGHLIGHTS

- Cash increases to \$14.0 M at year-end compared to \$8.5 M at December 31, 2013;
- Gross operating margin of 18.7% compared to 18.3% in 2013;
- Net income of \$6.1M in 2014 (\$0.17 per share), compared to \$ 9.1 M (\$0.25 per share) in 2013, a decrease of \$3.0 M or 33.0% compared to 2013 ;
- EBITDA ⁽¹⁾ of \$ 12.3 M compared to \$ 15.4 M in 2013, a decrease of \$3.1 M or 20.1%;
- Lower ore purchases in Q1-2014 due to unsettled market conditions, which impacted on our Q1-2014 financial results (see 2014 overview);
- Gold production of 19,923 in Q4-2014 (including a record monthly production of 7,179 ounces in December 2014) compared to 19,221 in Q4-2013, a 3.7 % increase over 2013;
- Gold production of 68,923 oz in 2014 compared to 76,883 oz in 2013, a decrease of 10.4%;
- Sales of \$88.2 M in 2014 compared to \$112.1M in 2013, a 21.3% decrease;
- Gross operating margin of \$16.5 M compared to \$ 20.5 M in 2013, a decrease of \$ 4.0 M or 19.5%;
- Cash flow from operating activities before change in working capital items of \$ 8.1 M (\$0.22 per share) ⁽²⁾ compared to \$10.3 M (\$0.28 per share) ⁽²⁾ in 2013, a 22.1% decrease compared to 2013;

(1) EBITDA: "Earnings before interest, taxes and depreciation" is a non-GAAP 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-GAAP 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-GAAP 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-GAAP measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.

2014 Overview

2014 was a challenging year for Dynacor, as its gold processing operations had to adapt to a difficult operating environment during the first 6 months, due to the impact of governmental action and new rules regards the formalization process for artisanal small miners "ASM"s in Peru. Despite these issues and a consistent weakening of the gold market, the Corporation's activities during 2014 remained profitable and continued to strengthen its financial situation.

In January 2014, the milling capacity of the Huanca plant was increased from 230 tpd to 250 tpd, a 8.7% increase. However in late January and in February Dynacor faced delays in exporting its gold dore production due to reinforced governmental measures regards the export of gold from Peru. This led Dynacor to implement a temporary suspension of its ore purchases and a production slow-down which affected the Corporation's gold production and consequently its Q1-2014 financial results. Exports resumed normally in March 2014, however, due to an unsettled ore supply market, the Corporation was unable to purchase on a regular basis sufficient ore to operate its Huanca mill at a constant 250 tpd capacity. Overall the Huanca plant averaged a daily production throughput rate of 213 tpd compared to 228 tpd in 2013, a 6.7% decrease.

Following a record year in 2013 where the Corporation had produced 76,883 ounces of gold and generated sales of \$112.1M, Dynacor produced 68,923 ounces of gold in 2014, just short of its 2014 gold production guidance of 70,000 ounces. This decrease, as explained above, is mainly due to reduced volume of operation during the first quarter.

During 2014, Dynacor sold 69,727 gold equivalent ounces compared to 79,416 gold equivalent ounces sold in 2013, a 12.2%

decrease compared to 2013.

During the year ended December 31, 2014, the Corporation increased its net shareholder equity by 19.1% from \$31.8 M in 2013 to \$37.9 M in 2014. At December 31, 2014 the Corporation's working capital amounted to \$20.9 M including \$14.0 M in cash compared to \$17.4 M and \$8.5 M in cash at December 31, 2013.

Jean Martineau Dynacor's President and CEO stated "*Despite all the challenges we faced during the year, we have been able to maintain our profitability and prove that our business model can withstand adverse conditions. The construction permit for our new 300 tpd mill in Chala that was recently issued by the Ministry of Energy and Mines is certainly an important milestone for the future growth of our Corporation. It is also an important sign of confidence with respect to Dynacor's operations in Peru in the context of the formalization process of the small mining sector.*"

Results from operations:

During the year ended December 31, 2014, the Corporation processed at its Huanca mill, 72,482 dry metric tonnes (DMT) of ore compared to 78,681 DMT in 2013, a 7.9% decrease compared to 2013. During 2014, the plant operated at an average *daily rate** of 213 tpd including 230 days at its full 250 tpd mill capacity.

The average grade of ore processed was 1.00 oz/DMT (31.10 g/t Au) compared 1.04oz/DMT (32.36 g/t Au) in 2013.

Total sales for the year amounted to \$88.2M ((including \$2.0 M in silver sales) compared to \$112.1M (including \$3.0 M in silver sales) in 2013, a decrease of 21.3% compared to 2013.

Silver production which is a process by-product amounted to 113,414 ounces in 2014 compared to 131,685 ounces in 2013. The decrease is due to the reduced volume of ore processed.

The 2014 cost of sales included depreciation of \$1.6 M compared to \$1.1 M in 2013. This increase is due to the depreciation of the new tailings pond and additions to property, plant and equipment during the year. In 2013, the tailings pond had been fully depreciated prior to Q4-2013 while it was still in use explaining the lower depreciation expense.

The gross operating margin for the year amounted to \$16.5 M (18.7%) compared to \$20.5 M (18.3%), a decrease of \$4.0 M or 19.5% from 2013. However the gross operating margin of 18.7% for 2014 reflects the ability of Dynacor's business model to generate cash flow from operations even during a period where gold price was weakening.

The cash gross operating margin per equivalent ounce Au sold was at \$259 in 2014 compared to \$271 in 2013, a 4.4% decrease from 2013, mainly due to a decrease in the price of gold.

During the year, general and administrative expenses amounted to \$3.7 M compared to \$3.9 M in 2013 mainly due to foreign exchange effect over expenses incurred in Canadian dollars and soles. Selling expenses are directly related to sales level which therefore explains the decrease of \$0.4M compared to 2013.

During the year, United States dollar gained 9.1% value against the Canadian dollar and 7.1% in value against the Peruvian Soles which resulted in a foreign exchange loss of \$0.5M (loss of \$0.4M in 2013) on average cash balance and IGV receivables held in those currencies. Income tax expense was reduced by \$0.7 M due to decrease operating income. Income tax expense also included \$0.3 M in Peruvian withholding taxes on dividend paid to the parent Corporation and \$0.2 M on foreign exchange translation gain taxed at the local national level.

Fourth quarter results

During the fourth quarter ended December 31, 2014, the Corporation recorded net income of \$1.4M (\$0.04 per share) compared to \$1.8M (\$0.06 per share) in 2013; During the quarter, a total of 21,062 DMT of ore was processed producing 19,923 ounces of gold (including an all-time record monthly production of 7,179 ounces of gold in December) compared to 20,567 DMT processed and 19,221 ounces in 2013. This increase production is explained by greater volume throughput at the mill. During the quarter, average daily production rate was 245 tpd compared to 237 tpd in 2013. Total sales during the period amounted to \$25.1M compared to \$24.8M in 2013 a 1% increase explained by higher volume of material processed and lower gold market price compared to 2013.

The Q-4, 2014 included depreciation of \$0.4 M compared to \$0.2 M in 2013 due to the depreciation of the new tailings pond. In Q4-2013, there was no depreciation of the tailings pond since it had just been fully depreciated while still then in use.

The gross operating margin for the quarter amounted to \$4.7 M (18.6%) compared to \$5.1 M (20.5%) in Q4-2013. This

decrease is due to lower average sale price of gold which was \$1,202/ounce compared to \$1,278 in Q4-2013.

FINANCIAL STATEMENTS HIGHLIGHTS

| (in \$'000) | For years ended December 31, | |
|--|---------------------------------|---------|
| | 2014 | 2013 |
| Sales | 88,166 | 112,127 |
| Cost of sales | 71,684 | 91,641 |
| Gross operating margin (18.7% - 18.3% in 2013) | 16,482 | 20,486 |
| General and administrative expenses | 3,780 | 3,932 |
| Operating income | 11,210 | 14,819 |
| Net income and comprehensive Income | 6,095 | 9,125 |
| EBITDA | 12,346 | 15,415 |
| Net Cash flow from operating activities before change in working capital items | 8,056 | 10,308 |
| Cash flow from operating activities | 10,009 | 12,518 |
| Earnings per share | | |
| Basic | \$0.17 | \$0.25 |
| Diluted | \$0.16 | \$0.24 |
| Reconciliation of Net comprehensive income to EBITDA | | |
| Net comprehensive income | 6,095 | 9,125 |
| Income taxes | 4,512 | 5,179 |
| Financial expenses | 114 | 182 |
| Depreciation | 1,625 | 1,062 |
| Gain on revaluation of asset retirement obligations | - | (133) |
| EBITDA | 12,346 | 15,415 |

CASH FLOW FROM OPERATING, INVESTING AND FINANCING ACTIVITIES AND WORKING CAPITAL

Operating Activities

During the year the cash flow from operations before changes in working capital items amounted to \$8.0 M (\$0.22 per share) compared to \$10.3M (\$0.29 per share) in 2013. Total cash generated from operating activities amounted to \$10.0 M compared to \$12.5 M in 2013. Changes in working capital items amounted to \$2.0M (\$2.2M in 2013) resulting mainly from a decrease of \$3.3 M in trade and other receivables, and decrease in trade and accounts payables of (\$0.8 M) and current tax liabilities (\$0.7 M). At December 31, 2014 ore inventory represented 4.5 days of production compared to 19 at year-end 2013.

Investing Activities

During the year the Corporation invested \$1.9M (\$3.7 M in 2013) for the acquisition of property, plant and equipment to be used at the current Huanca plant and for the preparation of construction at Chala.

Additions to exploration and evaluation assets during the year amounted to \$1.9 M (\$2.3 M in 2013) as the Corporation concentrated its effort on infrastructure and basic exploration to prepare for intensive work at Tumipampa in 2015.

Financing activities

During 2014, the Corporation did not complete any share issue financing (nil in 2013). A total of 283,000 options were exercised for proceeds of \$0.2M (345,944 options for gross proceeds of \$0.1M in 2013).

As part of a normal course issuer bid share buyback program announced in October 2014, the Corporation repurchased 381,000 common shares for a total cash consideration of \$532,210 (\$ 605,450 CA), an average repurchase cost of \$1.40 (\$1.59 CA) per share.

Liquidity

At December 31, 2014, the Corporation's working capital amounted to \$20.9 M of which \$14.0M was in cash (\$17.4 M of which \$8.5 M in cash at December 31, 2013).

2015- Ore processing and exploration outlook

Ore processing operations

In January 2015, the Corporation announced its 2015 production guidance of 75,000 and 80,000 ounces of gold.

An exceptionally long and heavy rainy season is affecting parts of Peru and will have an impact on the Corporation's first quarter gold production.

Management expects production to steadily increase after the rainy season and for the rest of 2015.

New mill in Chala

Over two years after receiving the official approval of the project's environmental impact study, the Corporation just recently announced in a March 18, 2015 press release "*DYNACOR OBTAINS FINAL CONSTRUCTION PERMIT FOR ITS NEW GOLD ORE-PROCESSING PLANT IN CHALA*" it had obtained the construction permit from the Ministry of Energy and Mines (MEM) which regulates medium and large scale mining operations in Peru (including all local mining companies which are being held by corporate entities, which is the case for Dynacor). The new processing plant is to be built in Chala (Southern Peru).

The Chala plant 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.

Exploration

As announced in a February 25, 2015 press release "*DYNACOR ANNOUNCES A NEW MAJOR EXPLORATION CAMPAIGN ON ITS HIGH GRADE GOLD TUMIPAMPA PROJECT*" Dynacor is planning to intensify the exploration of Tumipampa in 2015 and into 2016 in both the high grade gold veins and disseminated gold mineralized zone of its flagship exploration property.

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 36.2 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 Huanca. The Corporation recently obtained its permit to construct a brand new 300 tpd mill in Chala Peru. 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.

[Dynacor Gold Mines Inc.](http://www.dynacor.com) (TSX:DNG)

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

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

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

Shares outstanding: 36,245,111

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