

MONTREAL, QUEBEC--(Marketwired - May 13, 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 unaudited condensed consolidated financial statements and the management's discussion and analysis "MD&A" for the three-month period ended March 31, 2015.

The unaudited condensed consolidated financial statements along with the MD&A are available on the Corporation's website [www.dynacor.com](http://www.dynacor.com) and the documents have been filed electronically with SEDAR at [www.sedar.com](http://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 three-month period ended March 31, 2015, the Corporation recorded a net income of \$1.3 M (\$0.04 per share) compared to \$0.9 M (\$0.02 per share) in Q1-2014 an increase of 44.4%. Income increased due a higher production which offset a lower price of gold as compared to Q1-2014.

#### Q1-2015 HIGHLIGHTS

- Dynacor obtains the construction permit for a new 300 tpd mill in Chala, located in southern-Peru (refer to the March 18, 2015 press release);
- Cash on hand of \$14.5 M at March 31, 2015 compared to \$14.0 M at December 31, 2014;
- Gold and silver sales of \$18.7 M compared to \$12.3 M in Q1-2014 an increase of 52.0%;
- Gold production of 15,558 oz compared to 12,175 oz in Q1-2014 an increase of 27.8 %;
- Gross operating margin of 19.1% in Q1-2015 compared to 20.8% in Q1-2014;
- Net income of \$1.3M in Q1-2015 (\$0.04 per share) compared to \$0.9M (\$0.02 per share), a 44.4% increase compared to Q1-2014;
- EBITDA<sup>(1)</sup> of \$2.6 M in Q1-2015 compared to \$1.8M in Q1-2014 an increase of 44.4%;
- Cash flow from operating activities before change in working capital items of \$1.8 M (\$0.05 per share) <sup>(2)</sup> in Q1-2015 compared to \$1.3M in Q1-2014 (\$0.03 per share) <sup>(2)</sup> a 38.5% increase over Q1-2014;
- Underground exploration resumes at Tumipampa.

*(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.*

#### Q1-2015 Overview

In mid-March 2015, the Corporation received the construction permit for its Veta Dorada Chala plant which should be in operation in the first semester of 2016 and is a stepping stone for the future growth of the Corporation's processing activities in Peru.

The lack of accumulated ore inventory at the end of 2014 and unsettled ore market conditions, affected the Corporation's overall gold production in Q1-2015 as it could not operate its Metalex-Huanca (previously referred to as the "Huanca Plant") 250 tpd plant at full capacity on a full time basis. From past experience, the small miners' production has always been lower in first quarter of each year due mainly to the rainy season which can last up to three to five months. Q1-2015 was hit by a very hard and long rainy season called the El Nino phenomenon, which affected our suppliers' ore production and therefore our ability to increase our inventory. Overall the Metalex-Huanca plant averaged a daily ore throughput rate of 204 tpd compared to 171 tpd in Q1-2014, a 19.4% increase compared to Q1-2014 period which was affected by a temporary stoppage of ore purchases, gold export and production slow-down as the Corporation was evaluating the prevailing situation in Peru at that time regarding gold exports (refer to Q1 and Q2-2014 financial reports and press releases).

During the period, Dynacor sold 15,412 gold equivalent ounces compared to 9,427 gold equivalent ounces sold in Q1-2014 a 63.5% increase compared to Q1-2014 due to the situation described above.

At March 31, 2015 the Corporation's working capital amounted to \$21.1M including \$14.5 M in cash, compared to \$20.9M including \$14.0M in cash at December 31, 2014, an increase of 0.9%.

#### Results from operations:

During the period ended March 31, 2015, the Corporation processed 17,130 dry metric tonnes (DMT) of ore compared to

14,002 DMT in Q1-2014, a 22.3% increase. In Q1-2015, the Metalex-Huanca plant operated at its full 250 tpd capacity for 54 days as compared to 32 days in Q1-2014.

The average gold grade for Q1-2015 was slightly above its Q1-2014 mill feed at 0.95 oz/DMT compared to 0.92 oz/DMT in Q1-2014.

Total sales for the period amounted to \$18.7M compared to \$12.3M for the same period in 2014 an increase of \$6.4 M (52.0%). This increase is explained by a higher volume of ore processed and consequently gold produced and sold. Sales were also affected by a lower average price per gold equivalent ounce sold which was \$1,216 per ounce in Q1-2015 compared to \$1,305 in Q1-2014 a 6.8% gold price decrease.

The gross operating margin for the period amounted to \$3.6 M (19.1%) compared to \$2.6 M (20.8%), a \$1.0 M or 38.5% increase compared to Q1-2014.

This gross operating margin of 19.1% for Q1-2015 continues to reflect 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 gold equivalent ounce sold was \$258 in Q1-2015 as compared to \$306 in Q1-2014 a 15.7% decrease. This was mainly due to a decrease in the average selling price as compared to Q1-2014 and to a continuous decline in the price of gold during the period.

During the period, general and administrative expenses amounted to \$0.8 M and were consistent with the Q1-2014 amount of \$0.8 M. Those expenses incurred mainly in Peruvian soles and Canadian dollars were positively affected by the increase value of the US dollar during the period. Selling expenses amounted to \$0.3M compared to \$0.2M in Q1-2014 as they are directly related to the level of sales.

Loss on foreign exchange of \$0.3 M compared to \$0.1M in Q1-2014 is due to the increase value of the US dollar during the period which affected monetary items like IGV Peruvian sales tax recoverable, and the cash portion which is carried in Peruvian Nuevo soles and Canadian dollars. The majority of the Corporation cash is held in US dollars.

The increase of \$0.1 M in income tax expenses provision is due to the higher income during the period as compared to last year.

## FINANCIAL STATEMENTS HIGHLIGHTS

(in \$'000)	For three-months period ended March 31,	
	2015	2014
Sales	18,748	12,304
Cost of sales	15,170	9,748
Gross operating margin (19.1% - 20.8% in 2014)	3,578	2,556
General and administrative expenses	796	812
Operating income	2,452	1,553
Net income and comprehensive Income	1,303	859
EBITDA(1)	2,574	1,834
Cash flow from operating activities before change in working capital items	1,801	1,253
Cash flow from operating activities	2,112	1,253
Earnings per share		
Basic	\$0.04	\$0.02
Diluted	\$0.03	\$0.02
Reconciliation of Net comprehensive income to EBITDA		
Net comprehensive income	1,303	859
Income taxes	845	604
Financial expenses	28	29
Depreciation	398	342
EBITDA	2,574	1,834

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

## Operating Activities

Gold production increased by 27.8% and sales increased by 50.0% as compared with Q1-2014, which explains the increase in cash flow from operations before changes in working capital items which amounted to \$1.8 M in Q1-2015 as compared to \$1.3M in Q1-2014.

Total cash generated from operating activities amounted to \$2.1 M compared to \$1.3 M in 2014 a \$0.8 M and 61.5% increase compared to Q1-2014 due to an increased level of sales and \$0.3 M in net changes in working capital items during the period. At March 31, 2015 ore inventory represented only 4.5 days of production (4.5 days of inventory at December 31, 2014 year-end). Trades and other receivables decreased by \$1.8 M from year-end 2014 figure as the Corporation recovered Peruvian sales related to Q4 of 2014. Trade and other payables decreased by \$0.9M as the Corporation settled the Peruvian profit sharing provision which is payable in March of each year.

## Investing Activities

During the period, the Corporation invested \$0.9M (\$0.6M in Q1-2014) including \$0.2 M at Metalex-Huanca to prepare for capacity increase to 300 tpd and to increase tailing pond capacity, \$0.5 M for the Veta Dorada Chala plant including \$0.4 M in deposits to contractors for the beginning of construction work and \$0.2M for equipment and vehicles at the Tumipampa project.

Additions to exploration and evaluation assets amounted to \$0.6 M in Q1-2015 (\$0.2 M in Q1-2014) as cross-cut underground exploration work resumed at Tumipampa.

The construction of the exploration camp is well underway as workers lodgings have been completed and the kitchen and dining facilities are being built. The waste rock storage pad for excavated rock from the cross-cuts, drifts and chimneys was almost completed at end of the quarter.

## Financing activities

During Q1-2015, the Corporation did not complete any share based financing (nil in Q1-2014).

## Liquidity

As at March 31, 2015, the Corporation's working capital amounted to \$21.1M including \$14.5M in cash (\$20.9 M including \$14.0M in cash at December 31, 2014).

## 2015- Ore processing outlook

### *Ore processing operations*

The Corporation has set its 2015 production guidance in the range of 75,000 to 80,000 ounces of gold.

As indicated in the year-end MD&A an exceptionally long and heavy rainy season (declared El Nino in April 2015) is affecting many parts of Peru and has had an impact on the Corporation's first quarter gold production since the Corporation had not been able to increase its ore inventory at the end of Q4-2014.

Production for Q1-2015 was 15,558 ounces of gold. Forecasts for remaining quarters of 2015 are based on a steady increase of ore throughput at the Corporation's Metalex-Huanca ore processing plant.

## Veta Dorada Chala Plant

The commissioning process is underway and construction work will begin in the second quarter as some contractors have been chosen and a construction schedule is being prepared.

## 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 36.3 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 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.](#) (TSX:DNG)

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

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

Facebook: <http://www.facebook.com/DynacorGoldMines>

Shares outstanding: 36,320,111

## Contact

[Dynacor Gold Mines Inc.](#)

Jean Martineau  
President and CEO  
514-393-9000 ext. 228

[Dynacor Gold Mines Inc.](#)

Dale Nejmeldeem  
Investor Relations  
604-492-0099 / M: 604-562-1348  
[nejmeldeen@dynacor.com](mailto:nejmeldeen@dynacor.com)  
[www.dynacor.com](http://www.dynacor.com)