

MONTREAL, QUEBEC--(Marketwired - May 12, 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 period ended March 31, 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).

Dynacor recorded its 24th consecutive profitable quarter in the three-month period ended March 31, 2017 ("Q1-2017") which saw its net income increase by 33.8% over 2016, as it earned a net income of \$0.94 M or \$0.02 per share, compared to \$0.70 M or \$0.02 per share for the three-month period ended March 31, 2016 ("Q1-2016").

Highlights for the first quarter of 2017

- Gold production of 17,125 ounces in Q1-2017, compared to 15,807 ounces in Q1-2016, an increase of 8.3%;
- Sales of \$24.7 M in Q1-2017, compared to \$20.4 M in Q1-2016, an increase of 21.1%;
- Gross operating margin of \$3.1 M (12.5%) in Q1-2017, compared to \$3.0 M (14.6%) in Q1-2016, an increase in dollars of 3.3%;
- EBITDA ⁽¹⁾ of \$2.5 M in Q1-2017, compared to \$2.3 M in Q1-2016, an increase of 8.7%;
- Cash flow from operating activities before change in working capital items of \$1.8 M (\$0.05 per share) ⁽²⁾ in Q1-2017, compared to \$1.5 M (\$0.04 per share) ⁽²⁾ in Q1-2016, an increase of 20.0%;
- Cash on hand of \$8.7 M at March 31, 2017, compared to \$6.2 M as at December 31, 2016.

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 quarter of 2017, was highlighted by extremely heavy rainfalls, occurring mostly in March, that 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 during the later stages of Q1 and into the second quarter of 2017.

Despite these challenges, the gross operating margin obtained at the Veta Dorada Plant in Q1-2017 (its second quarter of operations) increased to 12.5%, compared to 9.5% during its initial quarter of operations (Q4-2016).

Overall, Dynacor's gold production and sales improved compared to Q1-2016 and are in line with expected production for the period. The Corporation expects that the Veta Dorada Plant's location and design will lead to 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, we averaged a daily ore throughput rate of 200 tpd compared to 159 tpd in Q1-2016, a 25.8% increase. The Corporation processed 16,796 dry metric tonnes ("DMT") of ore compared to 13,543 DMT in Q1-2016, an increase of 24.0%, and produced 17,125 ounces of gold in Q1-2017, as compared to 15,807 ounces of gold in Q1-2016 an increase of 8,3%.

Total sales amounted to \$24.7 M in Q1-2017, compared to \$20.4 M in Q1-2016, an increase of 21.1%. The decrease from the Q1-2016 gross operating margin (as a percentage of sales) is attributable to the ramp-up of the Veta Dorada Plant. Net income was \$0.94 M in Q1-2017, compared to \$0.70 M in Q1-2016, an increase of 33.8% between quarters. Overall, this increase is due to the higher gross operating margin of \$0.1 M, the decrease in selling expenses of \$0.3 M, and the decrease in the foreign exchange loss of \$0.2 M, mostly offset by the increase in general and administration expenses of \$0.2 M, the increase in transition, maintenance and other expenses of \$0.2 M and the increase in financial expenses of \$0.1 M.

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 by 15% and ore processing by 24%. This clearly shows the impact of our new plant and sustained efforts on the ground".

Financial statement highlights

(in \$'000) (unaudited)	For the three-month periods ended March 31,	
	2017	2016
Sales	24,728	20,427
Cost of sales	21,628	17,445
Gross operating margin	3,100	2,982
General and administrative expenses	1,074	882
Operating income	1,836	1,757
Net income and comprehensive income	937	701
EBITDA ⁽¹⁾	2,533	2,282
Net cash flow from operating activities before change in working capital items	1,757	1,470
Cash flow from operating activities	3,067	585
Earnings per share		
Basic	\$ 0.02	\$ 0.02
Diluted	\$ 0.02	\$ 0.02
Reconciliation of net comprehensive income to EBITDA ⁽¹⁾		
Net comprehensive income	937	701
Income taxes	654	693
Financial expenses	294	236
Depreciation	648	632
Revaluation of a financial instrument	-	20
EBITDA ⁽¹⁾	2,533	2,282

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)	1,757	1,470
Basic weighted average number of common shares outstanding ('000)	38,707	37,404
Net cash flow from operating activities before change in working capital items per share ⁽²⁾	\$ 0.05	\$ 0.04

(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

For Q1-2017, total cash generated from operating activities amounted to \$3.1 M (\$0.08 per share), compared to \$0.6 M (\$0.02 per share) in the comparative period. Changes in working capital items increased by \$1.3 M (decrease of \$0.9 M in the comparative period), relating primarily to a decrease in inventory (\$3.5 M). This is slightly offset by a decrease in trade and other payables (\$1.3 M) and an increase in trade and other receivables (\$0.5 M).

Investing activities

During Q1-2017, the Corporation invested \$0.3 M (\$4.0 M for Q1-2016) for the acquisition of property, plant and equipment and additions to exploration and evaluation assets. The decrease from the comparative period was expected as the Veta Dorada Plant is no longer in construction and the next phase of the Tumipampa exploration has not yet commenced.

Financing activities

In Q1-2016, the Corporation entered senior secured credit facilities (the "Facility") of up to \$10.0 M and received \$4.7 M (net of cash transaction costs). In Q1-2017, financing activities relate primarily to the payment of interest and transaction costs for the

Facility.

Working capital

As at March 31, 2017, the Corporation's working capital amounted to \$17.2 M, including \$8.7 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 production costs and ramp up production at the Veta Dorada Plant to its actual 300 tpd capacity and then to an allowed 360 tpd by the end of the year. This will be achieved by working to increase ore supply volume throughout the year.

The production objective for 2017 is between 88,000 and 92,000 ounces of gold for 2017, which would represent the Corporation's all-time high. As at March 31, 2017, the Corporation production amounts to 17,125 ounces of gold which is in line with expected production at that date. Management is confident that with normal increase production from quarter to quarter, the Corporation will be able to achieve its production guidance.

The Corporation is also looking at other investment opportunities in other jurisdictions.

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). In 2017, the corporation is targeting 88-92,000 ounces of gold production, a 20% increase from the previous calendar year. 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)

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

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

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

Shares outstanding: 38,754,911

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