

Dynacor Ends 2017 Surpassing US \$100 M in Sales and Reports a Net Income of US\$ 3.8 M

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MONTREAL, QUEBEC--(Marketwired - Mar 29, 2018) - [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, 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 % are calculated from rounded figures. Some additions might be incorrect due to rounding).

The Corporation ended the year with strength, totalling sales of over \$100 M and its seventh consecutive year of profits. Dynacor recorded a net income of \$3.8 M (\$0.10 per share) in 2017 compared to \$3.3 M (\$0.09 per share) in 2016, an increase of 15.2%.

2017 Highlights

Strategic

- Dynacor completed its first full year of processing activities at the Veta Dorada Plant without any operation issues;
- The long-term senior secured credit facility was completely repaid in December 2017, thirteen months prior to contractual maturity. Dynacor is now debt free.

Operational

- Gold production of 79,897 ounces in 2017, an increase of 8.7%, including an historical quarterly high of 24,066 ounces in Q4-2017;
- Dynacor started the dismantling of the Huanca Metalex plant in Q4-2017.

Financial

- Sales of \$101.7 M in 2017 an increase of 11.4% compared to 2016;
- Gross operating margin of \$13.4 M (13.2 %) in 2017, an increase of 10.7% compared to 2016;
- Net income of \$3.8 M in 2017 (\$0.10 per share), an increase of 15.2% compared to 2016;
- EBITDA⁽¹⁾ of \$11.2 M, an increase of 24.4% compared to 2016;
- Cash flow from operating activities before change in working capital items of \$8.6 M (\$0.22 per share⁽²⁾), an increase of 38.7% compared to 2016.

(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.

2017 Overview

In 2017, despite extreme climate events that affected Peru and impacted the ore supply, the Corporation monthly production constantly improved. For its first full year of operations, Dynacor's new Veta Dorada plant (Chala) achieved a record yearly production of 79,897 ounces of gold (compared to 73,476 ounces in 2016) including a monthly record high of 8,908 ounces in December. Total sales for the year amounted to \$101.7 M.

The Corporation's daily ore processing rate increased steadily throughout 2017 reaching a 300 tpd average in December 2017. The daily average rate was 226 tpd in 2017 compared to 204 tpd in 2016.

Finally, after having kept the Huanca Metalex plant in care and maintenance mode for over a year and considering the current ore market conditions in Peru and the ability for Dynacor to increase its processing capacity at its new plant, the Corporation has taken the decision in late 2017 to definitively close its Huanca Metalex plant and initiate decommissioning and site restoration.

Results from operations

Financial statements highlights

(in \$'000)	For the years ended December 31,	
	2017	2016
Sales	101,695	91,299
Cost of sales	(88,282) (79,225
Gross operating margin	13,413	12,074
General and administrative expenses	(3,855) (4,122
Transition, maintenance and other expenses	(1,118) (303
Selling expenses	(12) (815
Operating income	8,428	6,834
Net income and comprehensive income	3,841	3,289
Earnings per share		
Basic	\$0.10	\$0.09
Diluted	\$0.10	\$0.08

In 2017, total sales amounted to \$101.7 M compared to \$91.3 M in 2016, a year over year increase of 11.4%. The net income was \$3.8 M in 2017, compared to \$3.3 M in 2016, an increase of 15.2% compared to 2016.

The 2017 net income includes elements such as the transition and maintenance expenses related to the transfer of its ore processing operations from the Huanca Metalex Plant to the Veta Dorada (Chala) plant and all provisions regarding the Huanca Metalex site closure and restoration which amounted to \$1.1 M as well as interest expenses of \$0.6 M paid on the long-term debt which was repaid in full in December 2017. Those expenses will be considerably reduced in 2018. In 2017, the foreign exchange loss amounted to \$0.1 M compared to \$0.5 M in 2016.

Reconciliation of net income and comprehensive income to EBITDA

	For the years ended December 31,	
	2017	2016
Net comprehensive income	3,841	3,289

Income taxes	2,922	2,277
Financial expenses	1,330	790
Depreciation	2,866	2,634
Write-off of exploration and evaluation assets	270	-
Gain on revaluation of financial instrument	-	(29)
EBITDA	11,229	8,961

Fourth quarter results

During the fourth quarter ended December 31, 2017, the Corporation recorded a net income of \$1.4 M (\$0.04 per share) compared to \$0.2 M (\$0.01 per share) in the comparative period of 2016. The increase of \$1.2 M is mainly due to the increase in the gross operating margin (\$1.8 M). This was partially offset by the increase in the income tax expense as well as a \$0.2 M write-off of asset in Q4-2017. Q4-2016 was negatively affected by the first quarter of operations at the Veta Dorada Plant.

Cash flow from operating, investing and financing activities and liquidity

Operating Activities

For the year ended December 31, 2017, total cash generated from operating activities amounted to \$7.4 M (\$0.19 per share), compared to \$3.3 M (\$0.09 per share) in 2016. The cash flow from operating activities before change in working capital items amounted to \$8.6 M (\$0.22 per share), compared to \$6.2 M (\$0.16 per share) in 2016. Changes in working capital items decreased by \$1.2 M (decrease of \$2.9 M in the comparative period) mainly relating to an increase in trade and other receivables.

Investing Activities

During the year ended December 31, 2017, the Corporation invested \$0.7 M (\$8.8 M for the year ended December 31, 2016) for the acquisition of property, plant and equipment, mainly relating to additions to the Chala plant.

Additions to exploration and evaluation assets during the year amounted to \$0.6 M (\$1.3 M in 2016).

Financing activities

On January 14, 2016, the Corporation entered into senior secured credit facilities (the "Facility") in the aggregate amount of up to \$10 M with third party lenders. The Facility consisted of a \$7 M drawdown term loan facility (the "Term Facility") and a \$3 M revolving facility (the "Revolver") and was secured against the assets of the Corporation, including the Veta Dorada Plant. The Term Facility had a term of up to thirty-six months and bore interest at a rate of 10% per annum. The Revolver had a term of twelve months, which was extended for an additional period of twelve months and bore interest at a rate of 8.5% or Prime rate plus 6% per annum, whichever is greater.

In December 2017, thirteen months prior to contractual maturity, the Corporation completed the debt reimbursement and is now debt free. During 2017, Dynacor made repayments of \$ 6.3 M.

Liquidity

As at December 31, 2017, the Corporation's working capital amounted to \$16.0 M, including \$4.8 M in cash (\$15.8 M, including \$6.2 M in cash at December 31, 2016).

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 its production 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.

The dismantling of the Huanca Metalex plant is completed and the site restoration is well underway and should be completed in the second quarter of 2018.

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

Exploration

Following a new agreement with one the two local communities, the Corporation will begin in 2018 a stage surface drilling program on the disseminated gold zone. The drilling targets have been defined based on all the available geological data, geochemical sampling data, reinterpretation of the geophysical data and the recommendations of independent experts (in disseminated gold deposits) whom visited the property last fall.

The drilling program will begin after the rainy season upon reception of the exploration permit and will target the disseminated gold zone, the Sumac breccia zone and targeting extensions of the Manto Dorado to the west. The approved budget is \$2.4 M over the next 24 months.

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, a 8.7% increase as compared with 2016 (73,476 ounces). Dynacor trades on the Toronto Stock Exchange (DNG) and the OTC in the United States under the symbol (DNGDF).

FORWARD LOOKING INFORMATION

Contact

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.

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