

Q2-2018: Dynacor Reports Sales of US \$28.0 M and Net Income of US \$1.3 M

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MONTREAL, Aug. 14, 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 unaudited condensed consolidated financial statements and the management's discussion and analysis ("MD&A") for the three-month and six-month periods ended June 30, 2018.

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).

For the three-month period ended June 30, 2018, Dynacor recorded its 29th consecutive quarter of profits, powered by sales of \$28.0 M which resulted in net income \$1.3 M (\$0.03 per share) a significant increase compared to \$0.3 M (\$0.01 per share) for the three-month period ended June 30, 2017 ("Q2-2017").

Highlights for the second quarter of 2018

(Variance %, are calculated based on rounded figures)

Operational

- Gold production of 20,610 ounces, an increase of 13.3% compared to Q2-2017.

Financial

- Sales of \$28.0 M in Q2-2018, an increase of 28.4% compared to Q2-2017;
- Gross operating margin of \$3.5 M (12.6%) in Q2-2018, an increase of 29.6% compared to Q2-2017;
- Net income and comprehensive income of \$1.3 M in Q2-2018 (\$0.03 per share), compared to \$0.3 M in Q2-2017;
- EBITDA ⁽¹⁾ of \$2.7 M in Q2-2018, an increase of 35.0% compared to Q2-2017;
- Cash flow from operating activities before change in working capital items of \$2.2 M and \$0.06 per share ⁽²⁾ in Q2-2018, an increase of 57.1% compared to Q2-2017;
- Cash on hand of \$10.8 M at end of Q2-2018 compared with \$4.8 M at year-end 2017.

Strategic

- In Q2-2018, the Corporation announced the implementation of a normal course issuer bid share buyback program.

Recent events

- On June 19, 2018, the Corporation released its strategic plan highlights for years 2018 to 2021 with main goals to increase profitability, to accelerate growth in Peru and other jurisdictions, to promote Dynacor's eco-responsible business model to specific stakeholders and plan direct return to shareholders. REF: *“DYNACOR: SETTING THE COURSE TO THE FUTURE Strategic Plan 2018-2021”*; June 19, 2018

(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.

Overview Q2-2018

During Q2-2018, the market price of gold averaged \$1,307/oz, compared to \$1,257/oz in Q2-2017. The average gold price for the period was higher in comparison to last year, however the second quarter of 2018 saw the price of gold falling by 6% affecting slightly on the quarter gross margin. Nevertheless, the Corporation continued increasing its ore purchased level compared to the previous quarter (Q1-2018) at a monthly average exceeding 7,500 tonnes and is pushing to raise that level to over 8,000 tonnes for the next quarter to remain in line with our production forecast.

Total volume processed during the quarter was 23,172 tonnes (average of 268 tpd) compared to 16,310 tonnes (average of 192 tpd) in Q2-2017 an increase of 42.0%.

Gold production was 20,610 ounces in Q2-2018 compared to 18,185 in Q2-2017 a 13.3% increase explained by greater volume of ore processed at lower gold grades.

Total sales amounted to \$28.0 M compared to \$21.8 M in Q2-2017 an increase of 28.4% explained by the increase in gold price (\$1.1 M) and the increase in sales volumes (\$5.1 M).

Results from operations

Financial statement highlights

(in \$'000)	Three-month periods ended June 30,		Six-month periods ended June 30	
	2018	2017	2018	2017
Sales	27,955	21,754	54,545	46,482
Cost of sales	(24,440)	(19,056)	(47,406)	(40,684)
Gross operating margin	3,515	2,698	7,139	5,798
General and administrative expenses	(1,332)	(1,055)	(2,452)	(2,129)
Transition, maintenance and other expenses	-	(197)	-	(384)
Selling expenses	(1)	(2)	(4)	(5)
Operating income	2,182	1,444	4,683	3,280
Net income and comprehensive Income	1,251	284	2,852	1,221
Earnings per share				
Basic	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.03
Diluted	\$ 0.03	\$ 0.01	\$ 0.07	\$ 0.03

The gross operating margin amounted to \$3.5 M in Q2-2018 compared to \$2.7 M for the same period in

2017 due to higher sales.

Net income was \$1.3 M for the three-month period ended June 30, 2018, compared to \$0.3 M for the same period in 2017. The quarter increase in net income compared to 2017 is explained by the increase in gross operating margin combined with the absence of interest on the long-term loan and of transition costs in Q2-2018.

Last year (Q2-2017) results had been highly affected by extreme weather conditions impacting small scale miner's production and therefore ore supply.

(in \$'000)	Three-month periods ended June 30,		Six-mon 2018
	2018	2017	
Reconciliation of net income and comprehensive income to EBITDA ⁽¹⁾			
Net income and comprehensive income	1,251	284	2,852
Income taxes	802	733	1,544
Financial expenses	63	291	132
Depreciation	583	643	1,141
Write-off of exploration assets	7	94	7
EBITDA ⁽¹⁾	2,706	2,045	5,676

Cash flow from operating, investing and financing activities and working capital/liquidity

Operating activities

During Q2-2018, the cash flow from operations, before changes in working capital items, amounted to \$2.2 M (\$4.7 M for the six-month period ending June 30, 2018), compared to \$1.4 M in Q2-2017 (\$3.3 M for the six-month period ending June 30, 2017) explained mainly by the increase in gross operating margin.

During Q2-2018, total cash from operating activities amounted to \$3.2 M (\$7.7 M for the six-month period ending June 30, 2018) compared to \$1.4 M in Q2-2017 (\$4.5 M for the six-month period ending June 30, 2017). Changes in working capital items amounted to \$1.0 M (\$3.0 M or the six-month period ending June 30, 2018) compared to nil and \$1.2 M for the same periods in 2017.

Investing Activities

During Q2-2018, there were investment of \$0.6 M (\$1.0 M for the six-month period ending June 30, 2018) for the acquisition of property, plant and equipment (\$0.2 M and \$0.4 M for the same periods in 2017) mainly relating to the additions to the Chala plant and the expansion of the tailing pond.

Additions to exploration and evaluation assets during Q2-2018, amounted to \$0.2 M (\$0.4 M for the six-month period ending June 30, 2018) (similar to the same periods in 2017).

Financing Activities

In Q4-2017, the Corporation fully reimbursed the long-term loan thirteen months before maturity. In Q2-2017, interest expenses and transaction costs amounted to \$0.2 M (\$0.4 M for the six-month period ending June 30, 2017). As well, in 2018, the Corporation disbursed \$0.5 M to complete the site restoration at its old Huanca Metalex plant.

Working capital and liquidity

As at June 30, 2018, the Corporation's working capital amounted to \$18.7 M, including \$10.8 M in cash (\$16.0 M, including \$4.8 M in cash at December 31, 2017).

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 prevailing market conditions at the beginning of the year. The processing plant ran at a 90% capacity rate during the second quarter of 2018. Efforts are ongoing to regain the constant 300 tpd production rate and to push for greater volume by year end.

The Corporation produced 20,610 ounces of gold in Q2-2018 for a cumulative 39,682 ounces for the first semester slightly below the objective of 40,900 ounces for that period due to lower ore grade processed. The 2018 forecast is between 90,000 to 94,000 ounces. This production forecast considers the fact that historically our second half production results are consistently higher than the first half.

Exploration

The IP Geophysics on the disseminated mineralization on the Quartzites and on the Sumac Brecciated Quartzite zone will be completed near the end of September. This will allow for confirmation of targets to be drilled from surface shortly afterwards.

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 9% increase as compared with 2016 (73,477 ounces). 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 / OTC: DNGDF)

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

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

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

Shares outstanding: 39,713,877

For more information, please contact: Dynacor Gold Mines Inc.

Jean Martineau
President and CEO
#1105, 625 René-Lévesque Blvd.
[Dynacor Gold Mines Inc.](#)
Montreal, Quebec H3B 1R2

Dale Nejmeldeem
Director, Investor Relations
[Dynacor Gold Mines Inc.](#)
T: 604.492.0099 | M: 604.562.1348
E: nejmeldeem@dynacor.com

T: 514-393-9000 ext. 228

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