

# Dynacor Group Inc. Reports a Record Production of More Than 32,500 AuEq Ounces Generating Quarterly

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**Sales of \$64.5 Million and a Net Income of \$4.5 Million in Q2-2023 (US\$0.12 or CA\$0.16 Per Share)**

[Dynacor Group Inc.](#) (TSX: DNG) (Dynacor or the Corporation) released its unaudited condensed interim consolidated financial statements and the management's discussion and analysis (MD&A) for the second quarter ended June 30, 2023.

These documents have been filed electronically with SEDAR at [www.sedar.com](http://www.sedar.com) and will be available on the Corporation's website [www.dynacor.com](http://www.dynacor.com).

(All figures in this press release are in Ms of US\$ unless stated otherwise. All amounts per share are in US\$. All variance % are calculated from rounded figures. Some additions might be incorrect due to rounding).

## Q2-2023 OVERVIEW AND HIGHLIGHTS

### OVERVIEW

Dynacor completed the three-month period ended June 30, 2023 ("Q2-2023") with a record production of 32,693 AuEq ounces, quarterly sales of \$64.5 million and a net income of \$4.5 million (US\$0.12 per share) compared to sales of \$53.9 million (a 19.7% increase) and a net income of \$2.6 million (US\$0.07 per share) for the second quarter of 2022 ("Q2-2022") (a net income increase of 73.1% compared to Q2-2022).

Following its 16% increase capacity to 500 tpd at the end of 2022, Dynacor's ore procurement team was able to increase the tonnage of ore supplied in order to operate the plant at its full capacity during the quarter. The level of ore inventory at the plant continued to rise, reaching 9,600 tonnes at the end of Q2-2023 which represents more than 19 days of production.

Contrary to Q1-2023 which has seen a positive trend in gold market price, Q2-2022 and the strong Q2-2023 financial results were affected by the declining trend in the gold market price.

At the end of Q2-2023 our total assets is exceeding \$100 million for the first time.

### HIGHLIGHTS

#### Operational

- Highest ore volume supplied. Total ore volume supplied reached an historical high of 45,730 tonnes in Q2-2023 compared to 32,415 tonnes for the same period of last year;
- Higher volume processed. The Veta Dorada plant processed a volume of 40,747 tonnes of ore (448 tpd average) compared to 35,822 tonnes in Q2-2022 (394 tpd), a 13.7% increase;
- Higher gold production. In Q2-2023, gold equivalent production amounted to 32,693 AuEq ounces compared to 27,875 AuEq ounces in Q2-2022 a 17.3% increase. The Q2-2023 production was positively affected by higher volumes and grades of ore processed.

#### Financial

- High gold price and full 500 tpd capacity production drive Q2-2023 financial performance.
- Solid cash position. Cash on hand of \$30.1 million at the end of Q2-2023 compared to \$25.6 million at year end 2022;
- Increase of 19.7% in Sales. With greater quantities and a higher average gold market price, sales amounted to \$64.5 million in Q2-2023 compared to \$53.9 million in Q2-2022;
- Increase in gross operating margin. Gross operating margin of \$7.7 million (11.9% of sales) in Q2-2023, compared to \$6.3 million (11.7% of sales) in Q2-2022;
- Increased operating income. Operating income of \$5.6 million in Q2-2023 compared to \$4.5 million in Q2-2022, a 24.4% increase;
- Net income increase of 73.1%. Dynacor recorded a net income of \$4.5 million in Q2-2023 (US\$0.12 or CA\$0.16 per share) compared to \$2.6 million (US\$0.07 or CA\$0.09 per share) in Q2-2022;
- Cash gross operating margin exceeding \$250 per AuEq ounce. Cash gross operating margin of \$256 per AuEq ounce sold <sup>(1)</sup> compared to \$242 in Q2-2022;
- Increased EBITDA. EBITDA <sup>(2)</sup> of \$6.6 million, compared to \$5.2 million in Q2-2022, a 26.9% increase;
- Strong cash flows. Cash flows from operating activities before change in working capital items of \$5.2 million (\$0.14 per share) <sup>(3)</sup> compared to \$3.4 million (\$0.09 per share) in Q2-2022.

### Return to Shareholders

- Share buy-back. 40,300 common shares repurchased for \$0.1 million (CA\$0.1 million) in Q2-2023, compared to 90,360 common shares for \$0.2 million (CA\$0.3 million) in Q2-2022;
- Increased dividends. A \$0.01 CA per share monthly dividend paid during the quarter. On an annual basis, the 2023 dividend will represent CA\$0.12 per share or 4.0% dividend yield based on the current share price.

<sup>(1)</sup> Cash gross operating margin per AuEq ounce is in US\$ and is calculated by subtracting the average cash cost of sale per equivalent ounces of Au from the average selling price per equivalent ounces of Au and 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 company.

<sup>(2)</sup> 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 basis, effects due to different tax structures as well as the effects of different capital structures.

<sup>(3)</sup> 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.

### RESULTS FROM OPERATIONS

#### Unaudited Consolidated Statement of net income and comprehensive income

	Three-month periods ended June 30,		Six-month periods ended June 30,	
(in \$'000) (unaudited)	2023	2022	2023	2022
Sales	64,472	53,944	121,205	104,024
Cost of sales	(56,817)	(47,659)	(105,721)	(90,214)
Gross operating margin	7,655	6,285	15,484	13,810
General and administrative expenses	(1,813)	(1,756)	(3,366)	(3,153)

Other projects expenses	(202)	(64)	(426)	(105)
Operating income	5,640	4,465	11,692	10,552
Financial income and expenses	163	(32)	316	(88)
Foreign exchange gain (loss)	161	(65)	211	(83)
Income before income taxes	5,964	4,368	12,219	10,381
Current income tax expense	(1,828)	(1,809)	(3,807)	(3,324)
Deferred income tax recovery	343	17	534	645
Net income and comprehensive income	4,479	2,576	8,946	7,702
Earnings per share				
Basic	\$0.12	\$0.07	\$0.23	\$0.20
Diluted	\$0.12	\$0.06	\$0.23	\$0.19

Total sales amounted to \$64.5 million compared to \$53.9 million in Q2-2022. The \$10.6 million increase is explained by higher quantities of gold ounces sold (+13.1% or +\$7.1 million) and a higher average gold price (+\$3.5 million).

Cumulative sales increased by \$17.2 million compared to last year with higher quantities sold contributing to a \$13.9 million increase. Since the 16% increase capacity in Q4-2022, the Chala plant has been running at its maximum 500 tpd throughput.

The Q2-2023 gross operating margin amounted to \$7.7 million (11.9% of sales) compared to \$6.3 million (11.7% of sales) in Q2-2022 and were both affected by the unfavorable trend in gold market prices during the periods compared to a favorable trend in both Q1-2023 and Q1-2022.

General and administrative expenses remained stable at \$1.8 million in both Q2-2023 and Q2-2022.

The Q2-2023 net income was also affected by the recording of a \$1.5 million income tax expense net of a -\$0.3 million (non-cash) deferred income tax recovery (\$1.8 million with no deferred tax variance in Q2-2022). The tax expense is also affected by the variance throughout the period of the Peruvian Sol against the US\$.

#### Reconciliation of non-IFRS measures

(in '\$'000) (unaudited)	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2023	2022	2023	2022
Reconciliation of net income and comprehensive income to EBITDA				
Net income and comprehensive income	4,479	2,576	8,946	7,702
Income tax expenses (current and deferred)	1,485	1,792	3,273	2,679
Net financial (income) expenses	(170)	32	(323)	88
Depreciation	833	787	1,617	1,470
EBITDA				

















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

### Operating activities

During Q2-2023, the cash flow from operations, before changes in working capital items, amounted to \$5.2 million (\$10.2 million for the six-month period ending June 30, 2023), compared to \$3.4 million in Q2-2022 (\$8.6 million for the six-month period ending June 30, 2022).

During Q2-2023, total cash from operating activities amounted to \$1.4 million (\$11.2 million for the six-month period ending June 30, 2023) compared to \$9.1 million in Q2-2022 (\$9.6 million for the six-month period ending June 30, 2022). Changes in working capital items amounted to -\$3.8 million (\$1.0 million for the six-month period ending June 30, 2023) compared to \$5.7 million in Q2-2022 (\$1.0 million for the six-month period ending June 30, 2022). The variances are mainly attributable to the increase in inventories.

### Investing activities

During the three-month period ended June 30, 2023, the Corporation invested \$1.1 million (cumulative six-month 2023 of \$4.9 million). These amounts mainly include the purchase of an office in Lima, investments at the plant and new vehicles. All investments have been financed with internally generated cash-flows.

### Financing activities

In Q2-2023, monthly dividends totaling CA\$0.03 per share were disbursed for a total consideration of \$0.8 million (CA\$1.2 million) (cumulative six-month of CA\$0.06). In Q2-2022, monthly dividends totaling CA\$0.025 per share were disbursed for a total consideration of \$0.8 million (CA\$1.0 million). Increases in monthly dividend were disbursed from January 2022 and then from January 2023.

In Q2-2023, 40,300 common shares were repurchased under the Corporation normal course issuer bid share buyback program for a total cash consideration of \$0.1 million (CA\$0.1 million) (cumulative six-month of 69,380 shares) (90,360 shares for a total cash consideration of \$0.2 million (CA\$0.3 million) in Q2-2022).

### Working capital and liquidity

As at June 30, 2023, the Corporation's working capital increased to \$48.6 million, including \$30.1 million in cash (\$43.7 million, including \$25.6 million in cash at December 31, 2022).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023, total assets amounted to \$103.9 million (\$96.9 million as at December 31, 2022). Major variances since last year-end come from the significant increase in cash and property plant and equipment.

	As at	As at
(in \$'000) (unaudited)	June 30,	December 31,
	2023	2022
Cash	30,085	25,595
Accounts receivable	12,261	12,298
Inventories		



17,083

16,447



Prepaid	620	223
Current tax assets	-	371
Property, plant and equipment	24,642	21,392
Right-of-use assets	657	701
Exploration and evaluation assets	18,553	18,543
Other non-current assets	-	1,332
Total assets	103,901	96,902
Trade and other payables	10,929	11,168
Current tax liabilities	477	-
Asset retirement obligations	3,683	3,642
Deferred tax liabilities	576	1,110
Lease liabilities	679	701
Shareholders' equity	87,557	80,281
Total liabilities and equity	103,901	96,902

#### FOLLOW-UP OUTLOOK 2023

##### Ore processing

For 2023, the Corporation forecasted sales <sup>(1)</sup> in the range of \$210-235 million representing a growth of 6.5-20.0% over 2022 sales. This would result in a net income in the range of \$8.5-11.5 million (\$0.22-0.30 per share) (CA\$0.30-0.41 per share). So far in 2023, the Corporation is within the upper financial forecast range.

(1) Using a market gold price ranging between \$1,800 and \$1,900 per ounce

##### Capex

The board of directors approved a capital budget up to \$10.0 million which includes investments at the Veta Dorada plant for new efficiency improvement equipment's, an increasing tailing pound capacity, additional vehicles for our ore purchase team and administrative and ore purchasing buildings. Depending on certain circumstances, management believes 2023 investments will amount between \$7.0 and \$10.0 million.

##### Other project expenses

The Corporation has also budgeted approximately \$1.0 million to advance other projects in other jurisdictions and has spent \$0.4 million so far in 2023.

#### ABOUT DYNACOR

Dynacor is a dividend-paying industrial gold ore processor headquartered in Montreal, Canada. The corporation is engaged in gold production through the processing of ore purchased from the ASM (artisanal and small-scale mining) industry. At present, Dynacor operates in Peru, where its management and processing teams have decades of experience working with ASM miners. It also owns a gold exploration



property (Tumipampa) in the Apurimac department.

The corporation intends to expand its processing operations in other jurisdictions as well.

Dynacor produces environmental and socially responsible gold through its PX IMPACT® gold program. A growing number of supportive firms from the fine luxury jewelry, watchmakers and investment sectors pay a small premium to our customer and strategic partner for this PX IMPACT® gold. The premium provides direct investment to develop health and education projects for our artisanal and small-scale miner's communities.

Dynacor is listed on the Toronto Stock Exchange (DNG).

#### FORWARD-LOOKING INFORMATION

Certain statements in the preceding 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.

Shares Outstanding: 38,344,998

Website: <http://www.dynacor.com>  
Twitter: <http://twitter.com/DynacorGol>

So far in 2023, the Corporation is within the upper financial forecast range.

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