

Q3-2019: Dynacor Processes Record Volumes and Triples its Net Earnings

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MONTREAL, Nov. 15, 2019 - [Dynacor Gold Mines Inc.](#) (TSX: DNG / OTC: DNGDF) (Dynacor or the Corporation), reports its financial results for its third quarter ended September 30, 2019.

The unaudited condensed consolidated financial statements and the management's discussion and analysis (MD&A) for the three-month and nine-month periods ended September 30, 2019, 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 September 30, 2019, Dynacor processed quarterly record volumes and completed its thirty fourth (34th) consecutive quarter of profits tripling its net income to \$2.3 M (\$0.06 per share), compared to \$0.7 M (\$0.02 per share) for the same period of 2018.

Q3-2019 OVERVIEW AND HIGHLIGHTS

Total tonnes processed during the quarter increased by 16.8% from 22,615 in Q3-2018 to 26,421 in Q3-2019. At the same time, gold production increased by 11.3% from 19,982 to 22,230 ounces. The variance is mainly due to lower grades of the ore processed compared to 2018. This level of production represents approximately 50% of the revised production guideline for the second half of 2019 (ref. press release dated August 15, 2019). For the first time, production exceeded the daily named capacity of 300 tpd maintaining an average of 318 tpd ⁽¹⁾ in September. In Q3-2019, the Corporation also increased its level of ore inventory to approximately 15 days of production at the end of September. The target is to continue increasing this level until the end of the year in order to mitigate the negative effects of the rainy season on the 2020 first quarter supply.

⁽¹⁾ Considering 1.5 days of programmed monthly maintenance

Operational and Strategic

- Record quarterly volume of ore processed of 26,421 tonnes in Q3-2019 compared to 22,615 tonnes in Q3-2018;
- Gold production of 22,230 ounces in Q3-2019 compared to 19,982 ounces in Q3-2018, an increase of 11.3%.

Financial

- 34th consecutive quarter of profits;
- Record quarterly sales of \$33.7 M in Q3-2019, a significant increase of 38.1% compared to Q3-2018;
- Gross operating margin of \$4.6 M (13.7%) in Q3-2019, a significant increase of 76.9% compared to Q3-2018;
- Net income of \$2.3 M in Q3-2019 (\$0.06 per share), an increase of \$1.6 M compared to Q3-2018;
- Cash gross operating margin of \$227 per ounce equivalent Au sold ⁽¹⁾ compared to \$158 per ounce equivalent Au sold in Q3-2018;
- EBITDA ⁽²⁾ of \$4.1 M in Q3-2019, an increase of \$2.1 M compared to Q3-2018;
- Cash flow from operating activities before change in working capital items of \$3.0 M and \$0.08 per share ⁽³⁾ in Q3-2019, compared to \$1.6 M and \$0.04 per share in Q3-2018;

- Cash on hand of \$12.2 M in Q3-2019 compared with \$13.9 million at year-end 2018 mainly due to the increase in working capital items including a September 30th sale collected on October 1st 2019 for \$3.3 M and an increased level of mineral in inventory.

Cash Return to Shareholders

- Quarterly dividend of CA\$0.01 per share and totaling \$0.3 M (CA\$0.4 M) paid in October 2019;
- Buyback of 164,349 shares during the quarter for \$0.2 M (CA\$0.3 M).

(1) Cash gross operating margin per equivalent ounce Au 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.

(2) 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.

(3) 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

Extract from Statement of net income and comprehensive income

(in \$'000)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2019	2018	2019	2018
Sales	33,667	24,439	79,283	78,984
Cost of sales	(29,053)	(21,819)	(69,321)	(69,225)
Gross operating margin	4,614	2,620	9,962	9,759
General and administrative expenses	(974)	(1,182)	(3,081)	(3,638)
Other project expenses	(99)	-	(99)	-
Operating income	3,541	1,438	6,782	6,121
Income before income taxes	3,480	1,316	6,586	5,712
Net income and comprehensive income	2,301	694	4,237	3,546
Earnings per share				
Basic	\$0.06	\$0.02	\$0.11	\$0.09
Diluted	\$0.06	\$0.02	\$0.11	\$0.09

Total sales amounted to \$33.7 M compared to \$24.4 M in Q3-2018. The \$9.3 M increase is explained by a higher average gold price (\$6.1 M) and the increase in gold ounces sold (\$3.2 M) compared to 2018.

The gross operating margin amounted to \$4.6 M in Q3-2019 compared to \$2.6 M in Q3-2018. The variance compared with 2018 is attributable to higher gold production and sales combined with a favorable trend of the market gold price.

General and administrative expenses amounted to \$1.0 M compared to \$1.2 M in 2018.

Reconciliation of non-IFRS measures

(in \$'000)	Three-month periods		Nine-month periods	
	ended September 30, 2019	ended September 30, 2018	ended September 30, 2019	ended September 30, 2018
Reconciliation of net income and comprehensive income to EBITDA ⁽¹⁾				
Net income and comprehensive income	2,301	694	4,237	3,546
Income taxes	1,180	622	2,349	2,166
Financial income and expenses	(10) 75	56	207
Depreciation	638	614	1,899	1,755
Write-off of exploration assets	-	-	39	7
EBITDA ⁽¹⁾	4,109	2,005	8,580	7,681

CASH FLOW FROM OPERATING, INVESTING AND FINANCING ACTIVITIES AND LIQUIDITY

Operating activities

During Q3-2019, the cash flow from operations, before changes in working capital items, amounted to \$3.0 M (\$6.5 M for the nine-month period ending September 30, 2019), compared to \$1.6 M in Q3-2018 (\$6.3 M for the nine-month period ending September 30, 2018). This increase between quarters is consistent with the increase in gross operating margin and the relating increase in income taxes.

Investing activities

During Q3-2019, net investments were limited to \$0.1 M (\$0.9 M for the nine-month period ending September 30, 2019) (\$0.2 and \$1.2 M respectively for the same periods in 2018).

There were no additions to exploration and evaluation assets during Q3-2019. Net additions for the nine-month period ending September 30, 2019 amounted to \$0.2 M. Additions amounted to \$0.3 M and \$0.7 M for the same periods in 2018.

Financing activities

A total of 164,349 shares were repurchased in Q3-2019 (725,473 for the nine-month period ending September 30, 2019) for a total cash consideration of \$0.2 M (\$1.0 M for the nine-month period ending September 30, 2019). For the three-month period ending September 30, 2018, 115,392 shares were repurchased for a total consideration of \$0.1 M (190,667 shares, \$0.2 M for the nine-month period ending September 30, 2018).

In July 2019, the fourth quarterly dividend payment of CA\$0,01 per share was disbursed for a total consideration of \$0.3 M (\$0.9 M for the nine-month period ending September 30, 2019).

In Q3-2019, the corporation made repayments of lease liabilities for \$0.2 M (\$0.5 M for the nine-month period ending September 30, 2019) vs. \$0.1 M and \$0.2 M for the same reporting periods in 2018.

Liquidity

As at September 30, 2019, the Corporation's working capital amounted to \$22.5 M, including \$12.2 M in cash (\$19.7 M, including \$13.9 M in cash at December 31, 2018).

2019 OUTLOOK

Ore processing

After nine months of operations, Dynacor gold production is slightly lower than in 2018, mainly due to the lower average grades of ore supplied to the plant as throughput volumes continued to increase. However, Q3-2019 was the second-best quarter of gold production in the Corporation's history. The Corporation continues working to improve on its 2019 production in line with the revised target of 44,000 to 46,000 ounces for the second semester of 2019 for a total year production of 78,000 to 80,000 ounces of gold.

Exploration

The Corporation is waiting for its new permit from the Peruvian Ministry of Energy and Mines (MEM). The first phase of the drilling program consists of twelve (12) holes totaling 4,200 meters. The two priority targets consist of:

- o Priority 1 targets to be 2,700 m (8 holes)
- o Priority 2 targets to be 1,500 m (4 holes)

Upon MEM representative visit, they have required a community consultation to explain the impact of the proposed work in the area. This process will certainly delay the start of the proposed drilling campaign at least until the end of the rainy season in 2020.

ABOUT DYNACOR

Dynacor is a dividend paying gold production corporation headquartered in Montreal, Canada. The corporation is engaged in production through the processing of ore purchased from small scale artisanal miners. At present, Dynacor produces and explores in Peru where its management team has decades of experience and expertise. In 2018, Dynacor produced 81,314 ounces of gold, a yearly best and 1.8% increase as compared with 2017 (79,897 ounces).

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 are paying 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 to our small-scale artisanal miner's communities.

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 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.

Dynacor (TSX: DNG / OTC: DNGDF)

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

Shares outstanding: 38,807,904

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