

Dynacor Gold Mines Inc. Reports a New Record Quarter With Sales of \$42.8 Million

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And a Net Income of \$2.2 Million (US\$0.06 Per Share) (CA\$0.07) in Q2-2021 Ahead of Annual Guidance

MONTREAL, Aug. 16, 2021 - [Dynacor Gold Mines Inc.](#) (TSX: DNG / OTC: DNGDF) (Dynacor or the Corporation) released its unaudited consolidated financial statements and the management's discussion and analysis (MD&A) for the second quarter ended June 30, 2021.

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 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).

Q2-2021 OVERVIEW AND HIGHLIGHTS

OVERVIEW

Dynacor completed the three-month period ended June 30, 2021 ("Q2-2021") reporting a new quarterly sales record with \$42.8 million in sales and a net income of \$2.2 million (US\$ 0.06 per share), still ahead of its annual guidance, compared to sales of \$8.0 million and a net loss of (-\$0.7 million) (-US\$0.02 per share) in the second quarter of 2020 ("Q2-2020"). Without mitigating the very solid Q2-2021 performance, the Q2-2020 comparative figures had been significantly impacted by the Covid-19 crisis with the temporary shut-down of the Veta Dorada plant resulting in the only quarterly loss recorded by the Corporation since 2010.

The Corporation ore purchasing, and processing activities continued to be very strong with 31,280 tonnes of ore purchased and 30,374 tonnes processed.

With growing volumes of gold sold, the Corporation was able to increase its quarterly sales for the fourth consecutive quarter.

Considering the fast growth of its ore purchase volume, the Corporation decided to move ahead with the construction on the plant expansion which was originally planned for the third quarter. The expansion work has been completed in June well ahead of time and under budget.

The plant was fully commissioned and successfully ran at 400 tonnes per day ("tpd") during 11 days in June. Subsequent to the quarter end, the daily throughput was increased to the maximum capacity of 430 tpd. The mill has been operating at full capacity for the last five weeks.

HIGHLIGHTS

Operational

- Ore inventory covering one month of production. With a new record quarter of ore purchased (31,280 tonnes in Q2-2021) and despite the increase in volume processed, the Corporation maintained a level of inventory exceeding 11,000 tonnes. This represents a 41.5% increase vs. the end of 2020.

- Highest quarterly volume processed. In Q2-2021, despite down-time periods due to maintenance or plant expansion activities, the Veta Dorada plant processed a historical high volume of 30,374 tonnes of ore (334 tpd average) compared to 29,327 in Q1-2021 (326 tpd) and 3,244 tonnes (136 tpd) in Q2-2020. (Considering 91 days in Q2-2021, 90 days in Q1-2021 and 24 potential working days due to Covid-19 restrictions plant shut-down in Q2-2020);
- Another quarter-to-quarter production increase. During Q2-2021, gold equivalent production amounted to 25,172 AuEq ounces compared to 21,975 AuEq in Q1-2021 (14.5% increase) and 1,935 AuEq ounces in Q2-2020.

Financial

- Record quarterly sales. With slightly higher average selling prices (+1.8%) and higher quantities sold (+2.7%), compared to the last record quarter (Q1-2021), sales amounted to \$42.8 million in Q2-2021 compared to \$40.9 million in Q1-2021 and \$8.0 million in Q2-2020;
- Increased gross operating margin. Gross operating margin of \$6.5 million (15.2% of sales) in Q2-2021, compared to \$5.3 million (13.0% of sales) in Q1-2021 and nil in Q2-2020;
- Strong net income. Net income and comprehensive income of \$2.2 million (US\$0.06 per share) similar to Q1-2021 (\$2.1 million) and compared to a net loss of (-\$0.7 million) in Q2-2020;
- Record cash gross operating margin. The Q2-2021 cash gross operating margin in surpassing \$300 per AuEq ounce sold ⁽¹⁾ compared to \$257 in Q1-2021 and \$117 in Q2-2020;
- Quarter to quarter increase in EBITDA⁽²⁾. \$5.0 million compared to \$4.6 million in Q1-2021 (a 8.7% increase) and nil in Q2-2020;
- Stable cash-flow from operating activities before change in working capital items. Cash flow from operating activities before change in working capital items of \$3.2 million (US\$0.08 per share) ⁽³⁾, stable for the third consecutive quarter and compared to nil in Q2-2020;
- Solid cash position. Cash on hand of \$13.4 million at June 30, 2021 compared to \$11.9 million at year-end 2020.

Cash Return to Shareholders

- 33% increase in monthly dividend from June 2021. During Q2-2021, dividends totaling \$0.5 million (CA\$0.6 million) were paid including a CA\$0.0067 monthly dividend in June 2021.

⁽¹⁾ 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.

⁽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 Consolidated Statement of net income and comprehensive income

(in \$'000)	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Sales	42,777	8,007	83,686	38,876

Cost of sales	(36,260)	(7,975)	(71,866)	(33,895)
Gross operating margin	6,517	32	11,820	4,981
General and administrative expenses	(2,002)	(746)	(3,210)	(1,837)
Other projects	-	(13)	(16)	(141)
Operating income	4,515	(727)	8,594	3,003
Income before income taxes	4,267	(755)	8,195	2,892
Current income tax expense	(1,835)	85	(3,389)	(1,137)
Deferred tax expense	(270)	(15)	(538)	(55)
Net income and comprehensive income	2,162	(685)	4,268	1,700
Earnings per share				
Basic	\$ 0.06	(-\$0.02)	\$ 0.11	\$ 0.04
Diluted	\$ 0.06	(-\$0.02)	\$ 0.11	\$ 0.04

Total sales amounted to \$42.8 million compared to \$8.0 million in Q2-2020. The significant \$34.8 million increase is explained by record ore processing level, increased volumes sold, high gold prices and obviously by the Covid-19 crisis which forced the closing of operations in Q2-2020. Compared to the previous quarter (Q1-2021) sales increased by \$1.9 million due to higher gold production combined with higher gold market prices.

The Q2-2021 gross operating margin reached \$6.5 million which represents 15.2% of sales.

General and administrative expenses amounted to \$2.0 million in Q2-2021 compared to \$0.7 million in Q2-2020 when these expenses had been significantly reduced due to the Covid crisis. The increase compared to Q2-2020 is also due to non-recurring fees of \$0.5 million including those engaged to obtain the release of the gold bars retained since December 2019 (see press release dated July 22, 2021). General and administrative expenses are expected to decrease significantly in Q3-2021.

The Q2-2021 net income was again affected by the recording of a \$0.3 million deferred income tax expense (cumulative 2021 of \$0.6 million) resulting from FX variances between the US\$ and the Peruvian Sol applying on long term assets local tax basis.

Reconciliation of non-IFRS measures

(in \$'000)	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2021	2020	2021	2020
Reconciliation of net income and comprehensive income to EBITDA				
Net income and comprehensive income	2,162	(685)	4,268	1,700
Income taxes	2,105	(70)	3,926	1,192
Financial expenses	57	31	108	49
Depreciation	648	599	1,291	1,239
EBITDA	4,972	(125)	9,593	4,180

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

Operating activities

During Q2-2021, the cash flow from operations, before changes in working capital items, amounted to \$3.2 million (\$6.3 million for the six-month period ending June 30, 2021), compared to (-\$0.03 million) in Q2-2020 (\$3.2 million for the six-month period ending June 30, 2020). This increase between quarters is primarily explained by the increase in gross operating margin due to higher gold production.

During Q2-2021, total cash from operating activities amounted to (-\$2.0 million) (\$4.8 million for the six-month period ending June 30, 2021) compared to \$5.0 million in Q2-2020 (\$18.0 million for the six-month period ending June 30, 2020). Changes in working capital items amounted to (-\$5.3 million) (-\$1.6 million for the six-month period ending June 30, 2021) compared to \$5.0 million) in 2020 (\$14.9 million for the six-month period ending June 30, 2020). The variance is mainly attributable to the variance in inventories.

Investing activities

During the three-month period ended June 30, 2021, the Corporation invested \$1.1 million (cumulative six-month 2021 of \$1.6 million). This amount is comprised of investments at the plant notably in relation to the increase in capacity (+25% throughput level) completed during the second quarter, improvements in production processes and to new vehicles. All investments are financed with internally generated cash-flows.

Financing activities

In Q2-2021, three monthly dividends totaling CA\$0.0167 per share were disbursed for a total consideration of \$0.5 million (CA\$0.6 million). In Q2-2020, a quarterly dividend was disbursed for a total consideration of \$0.4 million (CA\$0.6 million).

During the period, 129,107 common shares (cumulative 180,332 common shares in 2021) were repurchased under the Corporation's normal course issuer bid share buyback program for a total cash consideration of \$0.2 million or CA\$0.3 million (none in the first half of 2020).

In Q2-2021, 167,500 common shares were issued following the exercise by directors of the Corporation of 167,500 purchase options for a total consideration of \$0.2 million (CA\$0.3 million).

In 2021, the corporation made quarterly repayments of lease liabilities for \$0.06 million (\$0.15 million per quarter in 2020).

Working capital and liquidity

As at June 30, 2021, the Corporation's working capital amounted to \$28.9 million, including \$13.4 million in cash (\$25.4 million, including \$11.9 million in cash at December 31, 2020).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021, total assets amounted to \$83.4 million (\$76.3 million as at December 31, 2020). Major variances since last year-end come from the significant increase in cash and in inventories and the impact of the additional deferred tax liability recorded 2021.

(in '\$'000) (unaudited)	As at June 30, 2021	As at December 31, 2020
Cash	13,446	11,868
Accounts receivable	8,858	8,434
Inventories	17,127	13,401
Property, plant and equipment	20,238	19,677
Right-of-use assets	1,143	834
Exploration and evaluation assets	18,526	18,510
Other assets	4,027	3,572
Total assets	83,365	76,296

Trade and other payables	9,721	7,082
Asset retirement obligations	3,585	3,604
Current tax liabilities	1,275	1,124
Deferred tax liabilities	1,574	1,036
Lease liabilities	1,122	706
Shareholders' equity	66,088	62,744
Total liabilities and equity	83,365	76,296

OUTLOOK 2021

Ore processing

The Corporation continues to achieve strong levels of ore purchase which permitted the processing of high tonnage of ore during the period.

The Corporation recently announced the completion of the expansion project of its Veta Dorada processing plant which has enabled the increase of the throughput level from 345 tpd to 430 tpd, an increase of 25%.

For 2021, the Corporation issued financial and capital expenditure guidance⁽¹⁾, forecasting \$150 million in sales and a net income of \$6.9 million (US\$0.18 per share). With sales of \$83.7 million as at June 30, 2021 (82.5% of 2020 total sales) and a cumulative net income of \$4.3 million or US\$0.11 per share (similar to 2020 total numbers), the Corporation is still ahead of its 2021 financial guidance and in a good position to surpass it.

(1) Assumptions

i) *average CA/US exchange rate of 1.273:1*

ii) *2021 financial guidance is based on an average gold price of US\$ 1,850 per ounce (Year-end 2020 rate).*

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) 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.

Toronto Stock Exchange (TSX): DNG OTC
(United States): DNGDF

Shares Outstanding: 38 916 797

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

PDF available: <http://ml.globenewswire.com/Resource/Download/aa982009-3ed5-4a51-845c-8c7b3f05c414>

A photo accompanying this announcement is available at
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