

PRESS RELEASE

2020

Dynacor Gold Mines Inc. (Dynacor)

Symbol:

Toronto Stock Exchange (TSX): DNG

OTC (United States): DNGDF

Shares outstanding: 38,787,256

PR-2020-05-14

DYNACOR REPORTS A NET INCOME OF US\$ 2.4 M (US\$0.06 PER SHARE) OR (CAD 0.08 PER SHARE) IN Q1-2020, DESPITE LATE QUARTER OPERATION SHUTDOWN

Montreal, May 14th, 2020 – Dynacor Gold Mines Inc. (TSX: DNG / OTC: DNGDF) (Dynacor or the Corporation) has released its unaudited consolidated financial statements and the management's discussion and analysis (MD&A) for the first quarter ended March 31, 2020.

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. 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).

In Q1-2020 Dynacor completed its thirty sixth (36th) consecutive quarter of profits with a net income of \$2.4 M (US \$0.06 per share) compared to \$1.2 M (US \$0.03 per share) for the three-month period ended March 31, 2019 ("Q1-2019").

Following the state of the emergency decree in Peru, which was declared on March 16, 2020, the Corporation temporarily stopped its ore purchases activities and orderly shut-down its processing operations. However, it was able to pursue exporting its remaining gold production into Q2-2020.

Q-1 2020 OVERVIEW AND HIGHLIGHTS

During Q1-2020, the Corporations' financial situation benefited from the postponement till 2020, of the export of the majority of its December gold production, following the retention by the Peruvian authorities, of our 2,650 ounces gold shipment as well as from the increase in gold market price. Consequently, this contributed to higher sales in the period and a \$9.4 M increase in its cash balance since last year-end.

Due to the high level of ore inventory at the end of 2019 and despite the temporarily shut-down since the third week of March, our plant was able to process 22,901 tonnes of ore in Q1-2020.

Operational

- Volume of 22,901 tonnes processed compared to 20,814 tonnes in Q1-2019 an increase of 10.0%;
- Sales of 19,475 ounces of gold compared to 17,671 in Q1-2019 an increase of 10.2%;
- Gold production of 13,324 ounces, compared to 16,000 in Q1-2019, a decrease of (16.7%) due to a lower grade of ore processed.

Financial

- 36th consecutive quarter of profits;
- Sales of \$30.9 M, an increase of 34.9% compared to Q1-2019;
- Gross operating margin of \$4.9 M, an increase of 75.0% compared to Q1-2019;
- Net income and comprehensive income of \$2.4 M (\$0.06 per share), two times the net income of Q1-2019;
- Cash flow from operating activities before change in working capital items of \$3.2 M (\$0.08 per share) ⁽¹⁾, an increase of 68.4% compared to Q1-2019;
- EBITDA ⁽²⁾ of \$4.3 M, an increase of 72.0% compared to Q1-2019;
- Cash on hand of \$16.1 M at March 31, 2020 compared with \$6.7 M at year-end 2019.

Cash return to Shareholders

- Quarterly dividend of CA\$0.015 per share and totaling \$0.4 M (CA\$0.6 M) paid in April 2020;
- The Toronto Stock Exchange (TSX) has approved the new Corporation's normal course issuer bid (NCIB), under which Dynacor may purchase, for cancellation, up to 3,725,828 common shares or approximately 10% of its public float as of April 20, 2020.

⁽¹⁾ 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.

⁽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.

RESULTS FROM OPERATIONS

Extract from Statement of net income and comprehensive income (unaudited)

(in \$'000)	For the periods ended	
	2020	March 31, 2019
Sales	30,869	22,919
Cost of sales	(25,920)	(20,129)
Gross operating margin	4,949	2,790
General and administrative expenses	(1,091)	(957)
Other projects	(128)	-
Operating income	3,730	1,833
Income before income taxes	3,647	1,781
Net income and comprehensive income	2,385	1,180
Earnings per share		
Basic	\$0.06	\$0.03
Diluted	\$0.06	\$0.03

Total sales amounted to \$30.9 M compared to \$22.9 M in Q1-2019. The \$8.0 M increase is explained by a higher gold sales price (\$5.2 M) combined with the higher number of ounces sold (\$2.8 M) explained by the decision to delay the shipment of our December production into 2020. Those postponed shipments represented sales of approximately \$8.7 M.

The gross operating margin amounted to \$4.9 M in Q1-2020 compared to \$2.8 M in Q1-2019. The variance compared to 2019 is attributable to higher sales combined with a favorable trend of gold market prices.

Reconciliation of non-IFRS measures

(in \$'000)	For the periods ended	
	2020	March 31, 2019
Reconciliation of net income and comprehensive income to EBITDA ⁽²⁾		
Net income and comprehensive income	2,385	1,180
Income taxes	1,262	601
Financial expenses	18	40
Depreciation	640	645
EBITDA ⁽²⁾	4,305	2,466

CASH FLOW FROM OPERATING, INVESTING AND FINANCING ACTIVITIES AND LIQUIDITY

Operating activities

During Q1-2020, the cash flow from operations, before changes in working capital items, amounted to \$3.2 M, compared to \$1.9 M in Q1-2019. This increase between quarters is primarily explained by the increase in cash gross operating margin.

During Q1-2020, total cash from operating activities amounted to \$13.1 M compared to \$1.4 M in Q1-2019. Changes in working capital items amounted to \$9.8 M compared to (-\$0.5 M) in 2019. The variance is mainly attributable to the variance in inventories.

Financing activities

In December 2019, the Corporation entered into a bank loan agreement with a local Peruvian bank in the amount of \$3.0 M to support its working capital needs following the retention of its shipment and as its ore purchases were reaching record level. The bank loan was fully reimbursed at maturity in February 2020.

A total of 313,900 shares were repurchased in Q1-2019 for a total cash consideration of \$0.4 M (CA\$0.5 M). In Q1-2020, no shares were repurchased.

In January 2020, the first increased quarterly dividend of CA\$0.015 per share was disbursed for a total consideration of \$0.4 M (CA\$0.6 M). In January 2019, a quarterly dividend of CA\$0.01 per share was disbursed for a total consideration of \$0.3 M (CA\$0.4 M).

Liquidity

As at March 31, 2020, the Corporation's working capital amounted to \$22.2 M, including \$16.1 M in cash (\$19.6 M, including \$6.7 M in cash at December 31, 2019).

STATEMENT OF FINANCIAL POSITION

At March 31, 2020, total assets amounted to \$71.5 M (\$74.8 M as at December 31, 2019). Major variances since last year-end come from the significant increase in the cash balance and decrease in inventories and bank loan.

(in M \$)	As at March 31, 2020	As at December 31, 2019
Cash	16.1	6.7
Inventories	8.4	18.3
Property, plant and equipment	20.4	21.0
Exploration and evaluation assets	18.8	18.7
Other assets	7.8	10.1
Total assets	71.5	74.8
Bank loan	-	3.0
ARO	3.8	3.8
Other liabilities	5.8	8.0
Shareholders' equity	61.9	60.0
Total liabilities and equity	71.5	74.8

OUTLOOK

Since March 16, 2020, the Corporation temporarily stopped its operations in Peru following the state of emergency declared by the Peruvian authorities in response to the COVID-19 worldwide crisis.

The Peruvian authorities just presented a plan to progressively reopen economic activities from late May. This initial plan contains four (4) monthly phases and is subject to changes. The first phase has been officialized and will include the large mining industry. Our activities are not included in this first phase.

We are ready to restart our operations in a safe environment for our employees and suppliers as soon as official government measures will permit.

At the date of this report the Corporation has a solid financial situation and continues to monitor the overall situation and apply its liquidity control plan.

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 the ASM (artisanal and small-scale mining) industry. At present, Dynacor produces and explores in Peru, where its management team has decades of experience and expertise. In 2019, Dynacor produced 80,677 ounces of gold, in line with 2018 (81,314 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 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 (TSX: DNG / OTC: DNGDF)
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