

# DYNACOR REPORTS ITS 9TH CONSECUTIVE YEARLY PROFIT WITH A NET INCOME OF US\$ 5.2 M IN 2019, AN 8% INCREASE

MONTREAL, March 30, 2020 (GLOBE NEWSWIRE) -- **Dynacor Gold Mines Inc. (TSX: DNG / OTC: DNGDF) (Dynacor or the Corporation)** has released its audited consolidated financial statements and the management's discussion and analysis (MD&A) for the year ended December 31, 2019.

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 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).*

The financial results for 2019 reflect Dynacor's ninth consecutive year of profits as the Corporation recorded a net income of \$5.2 M (\$0.13 or \$0.17 CA per share), an increase of 8.3% compared to 2018.

## 2019 OVERVIEW AND HIGHLIGHTS

In 2019, the Corporation purchased a record high volume of 105,238 tonnes of ore and processed a record volume of 98,649 tonnes at its Veta Dorada plant compared to 91,512 tonnes in 2018, a 7.8% increase.

During the last quarter of 2019, our production exceeded the daily available capacity of 300 tpd maintaining an average of 330 tpd.

With a year production of 80,677 ounces of gold the Corporation reached a volume comparable to 2018 and surpassed its second half of 2019 revised guidance of between 44,000 and 46,000 ounces of gold with a production of 46,582 ounces.

## Financial

- 9<sup>th</sup> consecutive year of profits;
- Retention by Peruvian authorities in December 2019 for control procedures of a 2,650 ounces gold shipment which impacted Q4 and year 2019 sales and net income;
- Sales of \$102.5 M in 2019 a decrease of 2.1% compared to 2018;
- Gross operating margin of \$13.0 M in 2019, a 1.5% decrease compared to \$13.2 M in 2018;
- Net income and comprehensive income of \$5.2 M in 2019 (\$0.13 per share), an increase of 8.3% compared to 2018;
- Cash gross operating margin of \$208 per ounce equivalent Au sold <sup>(1)</sup> compared to \$186 per ounce equivalent Au sold in 2018;
- EBITDA <sup>(2)</sup> of \$10.7 M, an increase of 1.9% compared to 2018;
- Cash flow from operating activities before change in working capital items of \$8.4 M (\$0.21 per share)<sup>(3)</sup> similar to 2018;
- Cash on hand of \$6.7 M at year-end 2019 compared with \$13.9 M in 2018 due to the increase in inventories and the decision to delay December 2019 gold exports in January 2020. Current cash on hand amounts to approximately \$15.0 M.

## Cash return to Shareholders

- The Corporation continued its normal course issuer bid share buyback program (847,721 shares were repurchased in 2019 compared to 446,367 shares in 2018);
- At the end of 2019, Dynacor increased its quarterly cash dividend payment to its shareholders to CA\$0.015 per share (first increased dividend paid in January 2020).

<sup>(1)</sup> 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.

<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 bases, 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

### Extract from Statement of net income and comprehensive income

	For the years ended December 31,	
(in \$'000)	2019	2018

<b>Sales</b>	<b>102,499</b>	104,650
Cost of sales	<b>(89,531)</b>	(91,484)
<b>Gross operating margin</b>	<b>12,968</b>	13,166
General and administrative expenses	<b>(4,497)</b>	(4,718)
Other projects	<b>(155)</b>	-
<b>Operating income</b>	<b>8,316</b>	8,448
<b>Income before income taxes</b>	<b>8,120</b>	7,935
<b>Net income and comprehensive income</b>	<b>5,187</b>	4,821
<b>Earnings per share</b>		
Basic	\$ <b>0.13</b>	\$ 0.12
Diluted	\$ <b>0.13</b>	\$ 0.12

Total sales for the year 2019 amounted to \$102.5 M compared to \$104.7 M in 2018, which represents a slight decrease of 2.1%. In December 2019, the Peruvian customs authorities retained a 2,650 ounces shipment for control procedures. Following this, the Corporation temporarily held back exporting until January 2020. In total, Q4 and 2019 sales were reduced by approximately \$12.5 M. Those sales, excluding the value of the retained shipment, still under review, have been completed in January 2020.

The gross operating margin amounted to \$13.0 M in 2019 compared to \$13.2 M in 2018 a slight decrease due to reduced sales.

General and administrative expenses were limited to \$4.5 M in 2019, a 4.7% decrease compared to 2018.

Other projects represent expenses incurred by the Corporation with respect to potential expansion projects such as an ore processing plant in Senegal (ref. Press release dated June 11, 2019).

#### **Reconciliation of non-IFRS measures**

(in \$'000)	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Reconciliation of net income and comprehensive income to EBITDA <sup>(2)</sup></b>		
Net income and comprehensive income	<b>5,187</b>	4,821
Income taxes	<b>2,933</b>	3,113
Financial expenses	<b>60</b>	196
Depreciation	<b>2,551</b>	2,410
<b>EBITDA <sup>(2)</sup></b>	<b>10,731</b>	10,540

#### **Fourth quarter results**

During the fourth quarter ended December 31, 2019, the Corporation recorded a net income of \$0.9 M (\$0.02 per share) compared to \$1.3 M (\$0.03 per share) in the comparative period of 2018.

#### **CASH FLOW FROM OPERATING, INVESTING AND FINANCING ACTIVITIES AND LIQUIDITY**

##### **Operating activities**

For the year ended December 31, 2019, the cash flow from operations, before changes in working capital items, amounted to \$8.4 M, similar to the year ended December 31, 2018. Total cash from operating activities amounted to (-\$5.9 M) compared to \$12.7 M for the year ended December 31, 2018. Changes in working capital items amounted to (-\$14.3 M) compared to \$4.4 M for the year ended December 31, 2018 mainly due to the increase in inventories.

The variances in working capital items are mainly attributable to the significant increase level of inventories including finished products due to higher ore purchase volume and temporary stoppage of gold export in December 2019.

##### **Investing activities**

During the year ended December 31, 2019, the Corporation invested \$1.2 M (\$1.3 M for the year ended December 31, 2018) for the acquisition of property, plant and equipment, relating to additions to the Chala plant and to rolling stocks. Additions to exploration and evaluation assets during the year, were limited to \$0.2 M (\$1.0 M in 2018).

##### **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 as its ore purchases were reaching record level. The bank loan was fully reimbursed in February 2020.

A total of 847,721 shares were repurchased in 2019 (446,367 in 2018) for a total cash consideration of \$1.1 M (CA\$1.5 M) (\$0.6 M or

CA\$0.7 M in 2018).

In 2019, four quarterly dividend payments of CA\$0.01 per share was disbursed for a total consideration of \$1.2 M (CA\$1.6 M) (one quarterly dividend payments of CA\$0.01 per share for a total of \$0.3 M or CA\$0.4 M in 2018).

In 2019, the corporation made repayments of lease liabilities for \$0.7 M vs. \$0.3 M in 2018.

In 2018, the Corporation also made payments on asset retirement obligations for a total consideration of \$0.6M (insignificant amounts in 2019).

### **Liquidity**

As at December 31, 2019, the Corporation's working capital amounted to \$19.7 M, including \$6.7 M in cash (\$19.7 M, including \$13.9 M in cash at December 31, 2018).

### **STATEMENT OF FINANCIAL POSITION**

At December 31, 2019, total assets amounted to \$74.8 M (\$66.1 M as at December 31, 2018).

The main impact comes from the inventories:

(in million \$)	As at December 31,	
	2019	2018
Ore	4.5	1.0
Gold in process	13.5	4.8
Finished goods-Gold dore bars	3.4	-
Supplies	0.3	0.4
	21.7	6.2
Less: long-term portion – other assets	(3.4)	-
Total	18.3	6.2

The increase in ore inventory reflects the continuous efforts of the Corporation to increase its ore purchases at record levels at year end which will allow to continue the production at a high level during the rainy season. The Veta Dorada plant was operating at a level exceeding its nominal capacity of 300 tpd between September 2019 and the recent COVID-19 crisis. The increase of gold in process (including activated carbon) is explained by the December 2019 production which exports were deferred until January 2020 and by the 20% increase in cost per ounce in line with the increase in gold market prices. The finished goods-Gold dore bars relates to the December shipment retained by the Peruvian custom authorities for control procedures. We cannot predict at this time when this shipment will be released by the authorities and therefore, we have classified then under other non-current assets.

### **2020 OUTLOOK**

#### **COVID-19 crisis**

Subsequent to year end, the COVID-19 virus situation became an international crisis. In Peru, the state of emergency was declared on March 16, 2020 for an initial period of 15 days, and all public and private companies have been informed to stop their activities. This period has just been extended until April 13, 2020. Accordingly, the Corporation Peruvian subsidiary has temporarily ceased its operations until official instructions to resume are given.

The duration and impacts of this crisis are still unknown, therefore it could have a prospective material impact on the Corporation's activities, cash flow and liquidities. Following these events, the Corporation has taken and will continue to take action to minimize the impact. However, it is impossible to determine the financial implications of these events for the moment. At the date of this press release the Corporation has a solid financial situation with no debts and approximately \$15 M in cash and should be well positioned for the market recovery.

In this historical difficult period for all, worldwide, the Corporation management priority is toward the protection of all of Dynacor's employees, suppliers and all their families and communities. We will get through this.

### **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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The logo for Dynacor, featuring the word "dynacor" in a lowercase, blue, sans-serif font.