

PRESS RELEASE

2020

Dyncor Gold Mines Inc. (Dyncor)

Symbol:

Toronto Stock Exchange (TSX): DNG

OTC (United States): DNGDF

Shares outstanding: 38,866,254

PR-2020-11-16

DYNACOR RETURNS TO PROFIT IN Q3-2020; HIGHEST CASH GROSS OPERATING MARGIN PER OUNCE SINCE 2014 OF \$304 PER OUNCE, A YEAR-OVER-YEAR INCREASE OF 34%; OPERATING AT FULL CAPACITY WITH NEAR-TERM PLANS TO EXPAND

Montreal, November 16th, 2020 – Dyncor Gold Mines Inc. (TSX: DNG / OTC: DNGDF) (Dyncor or the Corporation) has released its unaudited consolidated financial statements and the management's discussion and analysis (MD&A) for the third quarter ended September 30, 2020.

These documents have been filed electronically with SEDAR at www.sedar.com and will be available on the Corporation's website www.dyncor.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).

After a three-month stoppage due to the Covid-19 crisis, which ended a streak of thirty-six (36) consecutive profitable quarters, the Corporation successfully resumed its ore purchase and processing activities, immediately returning to profits. During Q3-2020, the Corporation gradually increased ore purchases and generated sales of \$ 24.1 million recording a net income of \$ 1.2 million (\$0.03 per share).

Q3-2020 OVERVIEW

The resumption of activities, together with the return of employees and suppliers, was very successful and compliant with the Ministry of Health guidelines. Our COVID-19 sanitary protocol contains measures to monitor the risk of exposure to the COVID-19 at our workplaces, as well as establishing prevention and control standards to avoid the appearance and/or the spread of the virus and to ensure the health and safety of our workers, suppliers, customers and visitors.

Phase two and three of the Peruvian government deconfinement plan started in July and August respectively and although small scale miners reinitiated activities at a slower pace, the Corporation was able to attract available ore, to gradually increase its volume throughput and reached by mid-September its full production capacity rate of 300 tpd. This production level has been maintained since.

Considering its solid financial situation and the gradual resumption of its activities, the Corporation pursued its dividend policy and declared in September, a 0.015\$ CA per share dividend which was paid in October.

HIGHLIGHTS FOR THE THIRD QUARTER OF 2020

(Variance %, are calculated based on rounded figures)

Operational and Strategic

- **Return to strong volume processed following the Q2-2020 temporary shut-down.** Volume of 23,064 tonnes processed compared to 3,244 tonnes in the previous quarter (Q2-2020) and to 26,421 tonnes in Q3-2019, a decrease of 12.7% compared to 2019, due to the gradual resumption of operations;
- **Gold production comparable to Q1-2020 pre-COVID-19 crisis.** Gold production of 13,421 ounces compared to 1,897 ounces in Q2-2020 and 22,230 ounces in Q3-2019 due to a lower ore volume and lower grade of ore processed;
- **Increasing ore inventory level.** The Corporation's readiness to restart operations allowed for aggressive ore purchases helping increase inventory level and sustain production.

Financial

- **Sales rapidly resumed after reopening.** Sales amounted to \$24.1 million in Q3-2020, compared to \$8.0 million in Q2-2020 and \$33.7 million in Q3-2019;
- **Strong gross operating margin.** Gross operating margin of \$3.3 million (13.5% of sales) compared to \$0.0 million in Q2-2020 and \$4.6 million in Q3-2019;
- **Return to profit.** Net income and comprehensive income of \$1.2 million (\$0.03 per share), compared to a net loss of \$0.7 million in Q2-2020 and a net income of \$2.3 million in Q3-2019 (\$0.06 per share);
- **Highest cash gross operating margin per ounce since 2014.** Cash gross operating margin ⁽¹⁾ of \$304 per ounce in Q3-2020, compared to \$117 per ounce in Q2-2020 and \$227 per ounce in Q3-2019;
- **Solid cash flow from operating activities.** Cash flow from operating activities before change in working capital items of \$2.3 million (\$0.06 per share) ⁽²⁾, compared to \$0.0 million in Q2-2020 and to \$3.0 million (\$0.08 per share) in Q3-2019;
- **Return to positive EBITDA.** EBITDA ⁽³⁾ of \$2.7 million, including a \$0.3 million of write-off of exploration and evaluation assets, compared to (-\$0.1 million in Q2-2020) and \$4.1 million in Q3-2019;
- **Solid cash position.** Cash on hand of \$16.6 million in Q3-2020 compared with \$6.7 million at year-end 2019.

Cash Return to Shareholders

- **Quarterly dividend.** Quarterly dividend of CA\$0.015 per share and totaling \$0.4 million (CA\$0.6 million) paid in October 2020.

⁽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⁾ 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. This measure is calculated on p.14 of this MD&A. See the "Non-IFRS Measures" section 15 of this MD&A. 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.

⁽³⁾ 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)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Sales	24,089	33,667	62,965	79,283
Cost of sales	(20,834)	(29,053)	(54,729)	(69,321)
Gross operating margin	3,255	4,614	8,236	9,962
General and administrative expenses	(915)	(974)	(2,752)	(3,081)
Other projects	(3)	(99)	(144)	(99)
Operating income	2,337	3,541	5,340	6,782
Income before income taxes	(2,023)	3,480	4,915	6,586
Net income and comprehensive income	1,249	2,301	2,949	4,237
Earnings per share				
Basic	\$0.03	\$0.06	\$0.07	\$0.11
Diluted	\$0.03	\$0.06	\$0.07	\$0.11

Total sales amounted to \$24.1 million compared to \$33.7 million in Q3-2019. The \$9.6 million decrease is explained by the decreases in ounces sold (-\$15.3 million) due to lower grades of ore processed, partially offset by higher selling prices (\$5.7 million).

Our Q3-2020 operating margin benefited from the increase in average gold market price in July and August before a slight decrease in September.

Importantly we achieved a cash gross operating margin of \$304 per ounce in Q3-2020 which is 34% higher than in Q3-2019 and the highest dollar cash gross operating margin per ounce since 2014. This significant increase is due to the rising gold market price over the period and the overall higher gold price compared to 2019.

Reconciliation of non-IFRS measures

(in \$'000)	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	2019	2020	2019
Reconciliation of net income and comprehensive income to EBITDA ⁽¹⁾				
Net income and comprehensive income	1,249	2,300	2,949	4,237
Income taxes	774	1,180	1,966	2,349
Financial expenses (income)	31	(9)	80	56
Depreciation	633	638	1,872	1,899
EBITDA ⁽¹⁾	2,687	4,109	6,867	8,541

CASH FLOW FROM OPERATING, INVESTING AND FINANCING ACTIVITIES AND LIQUIDITY

Operating activities

During Q3-2020, the cash flow from operations, before changes in working capital items, amounted to \$2.3 million (\$5.5 million for the nine-month period ending September 30, 2020), compared to \$0.0 million in the previous quarter (Q2-2020) and \$3.0 million in Q3-2019 (\$6.5 million for the nine-month period ending September 30, 2019). The quarter to quarter increase of \$2.3 million is explained by the gradual improvement of operations since its restart. The decrease of \$0.7 million compared to Q3-2019 is primarily explained by the decrease in gold production due to lower ore grade, partially compensated by favorable gold market prices.

During Q3-2020, net cash from operating activities amounted to (-\$3.3 million) (\$14.7 million for the nine-month period ending September 30, 2020) compared to (-\$0.2 million) in Q3-2019 (\$1.6 million for the nine-month period ending September 30, 2019).

Changes in working capital items amounted to (-\$5.6 million) and are mainly attributable to the variance in accounts receivable (\$9.3 million for the nine-month period ending September 30, 2020 and are attributable to the variance in inventories). In 2019, these changes amounted to (-\$3.2 million) and (-\$4.9 million) respectively.

Investing activities

During Q3-2020 and the nine-month period ending September 30, 2020, investments amounted to \$0.3 million and mainly comprised new vehicles and facilities at the plant in relation with the new health and safety protocol consequence of the COVID-19 crisis.

Financing activities

In 2020, three quarterly dividends of CA\$0.015 per share were disbursed for a quarterly consideration of \$0.4 million (CA\$0.6 million) (nine month cumulative of \$1.3 million (CA\$ 1.7 million)). In 2019, three quarterly dividends of CA\$0.01 per share were disbursed for a quarterly total consideration of \$0.3 million (CA\$0.4 million) (nine month cumulative of \$0.9 million (CA\$ 1.2 million)).

During the period, the Corporation made repayments of lease liabilities of \$0.2 million (cumulative of \$0.5 million in 2020) (\$0.2 and \$0.5 million in the respective 2019 periods).

Subsequent to September 30, 2020 quarter end, 149,185 shares were repurchased for a cash consideration of \$0.2 million (CA\$ 0.3 million),

Working Capital and Liquidity

Dynacor continues to maintain a strong working capital position including increased ore and gold in process inventories. As at September 30, 2020, the Corporation's working capital amounted to \$23.2 million, including \$16.6 million in cash (\$19.6 million, including \$6.7 million in cash at December 31, 2019).

STATEMENT OF FINANCIAL POSITION

At September 30, 2020, total assets amounted to \$73.8 million (\$74.8 million 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 million \$) (unaudited)	As at September 30, 2020	As at December 31, 2019
Cash	16.6	6.7
Accounts receivable	6.7	4.7
Inventories	7.3	18.3
Property, plant and equipment	19.8	21.0
Exploration and evaluation assets	18.5	18.7
Other assets	4.9	5.4
Total assets	73.8	74.8
Trade payables and other liabilities	8.0	8.0
Bank loan	-	3.0
Asset retirement obligations	3.8	3.8
Shareholders' equity	62.0	60.0
Total liabilities and equity	73.8	74.8

OUTLOOK

Ore processing

In Q3-2020, the Corporation returned to full operational capacity. As of mid-September, the Corporation is processing on average 300 tonnes per day which corresponds to the full capacity of the Veta Dorada plant in Chala. In Q4-2020, without any unforeseen events, the Corporation projects its yearly best quarterly production and sales, with a quarterly production of approximately 21,000 ounces of gold.

The Corporation is presently assessing its near-term plans to progressively expand the plant's processing capacity.

Exploration

The Corporation has planned a \$2.4 million drilling program on the Tumipampa project. This program will begin upon agreement with local communities.

Tumipampa is 500 km from Lima, Peru, in the Circa district, Province of Abancay, Department of Apurimac. Tumipampa's concessions cover 6,932 hectares and are located geographically on the eastern slopes of the Andes Mountain Range between 4,200 and 4,800 metres above sea level.

Major mining companies such as Southern Copper, MMG Limited, Buenaventura, Golden Ideal Gold Mining (China), Super Strong Mining (China) and Bear Creek Mining own claims surrounding Tumipampa.

Senegal future processing plant

Based on the positive results of the due diligence phase's, a new company to be created will move forward on the construction of a new ore-processing pilot plant located in Senegal. Plans are for Dynacor to operate the plant and own the majority of the new company with 51% ownership. KN Equipments Inc. and FONSIS will hold the balance at 25% and 24%, respectively.

The Corporation will continue advancing its new Senegalese expansion project upon improvement of the COVID-19 situation.

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.

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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