

PRESS RELEASE

2021

Dynacor Gold Mines Inc. (Dynacor)

Toronto Stock Exchange (TSX): DNG

OTC (United States): DNGDF

Shares outstanding: 38 815 029

PR-2021-03-09

**DYNACOR 2020: REPORTS ITS 10TH CONSECUTIVE ANNUAL PROFIT,
INCLUDING AN OPERATING INCOME OF \$9.5 MILLION,
AN INCREASE OF 14.4%, AND AN
EBITDA INCREASE OF 9.3% COMPARED TO 2019**

Montreal, March 31, 2021 – Dynacor Gold Mines Inc. (TSX: DNG / OTC: DNGDF) (Dynacor or the Corporation) released its audited annual consolidated financial statements and the management's discussion and analysis (MD&A) for the year ended December 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. All amounts per share are in US\$. All variance % are calculated from rounded figures. Some additions might be incorrect due to rounding).

2020 OVERVIEW AND HIGHLIGHTS

OVERVIEW

In an historical year marked by the Covid-19 pandemic and which continues to pose global challenges, Dynacor completed its fiscal 2020 recording its 10th consecutive profitable year with a net income of \$4.3 million compared to \$5.2 million in 2019 and with a 9.3% increase in EBITDA to \$11.7 million, including \$4.8 million in Q4-2020 (\$2,2 million in Q4-2019).

Dynacor started 2020 with a strong operational performance which was suddenly stopped by the Covid-19 pandemic. The three-month operation stoppage from March 16 till June 5, 2020, ended, in Q2-2020, a streak of thirty-six (36) consecutive profitable quarters. In Q3, the Corporation successfully resumed its ore purchase and processing activities, immediately returning to profit, and strongly ended 2020.

The Corporation was able to retain all of its ore suppliers and to steadily increase its ore purchasing and processing levels ending 2020 with an ore inventory exceeding 8,000 tonnes which represents 24 days of production, ready to face the usual first quarter rainy season.

Total sales for the year amounted to \$101.5 million compared to \$102.5 million.

The resumption of activities, together with the return of employees and suppliers, was in full compliance 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.

HIGHLIGHTS

Operational

- **High daily volume processed.** Overall, in 2020 given the temporary shut-down due to the Covid-19 crisis, the Veta Dorada plant processed a volume of 77,978 tonnes of ore (274 tpd) compared to 98,649 (270 tpd) in 2019 (Considering 285 potential working days due to Covid-19 restrictions plant shut-down in 2020 and 365 days for 2019);
- **Dynacor completed 2020 with a quarter-to-quarter production increase of 63.4%.** During Q4-2020, gold equivalent production amounted to 22,263 AuEq ounces compared to 13,629 AuEq ounces in Q3-2020. Overall, in 2020, the Corporation produced 51,369 AuEq ounces compared to 82,216 AuEq ounces in 2019;
- **High level of ore inventory.** With an all-time quarterly best ore purchase volume of 34,110 tonnes in Q4-2020, the Corporation completed 2020 with a level of inventory exceeding 8,000 tonnes which allowed the Chala plant to run at full production capacity during the first quarter of 2021 and annual rainy season.

Financial

- **10th consecutive year of profits.** Despite Covid-19 and a \$1.2 million deferred income tax charge, Dynacor recorded a net income of \$4.3 million in 2020 (\$0.11 or CA\$0.15 per share) compared to \$5.2 million (\$0.13 or CA\$0.17 per share) in 2019;
- **Sales comparable to 2019 despite decreased gold production.** Thanks to a significantly higher gold market price in 2020, sales amounted to \$101.5 million in 2020 compared with \$102.5 million in 2019;
- **Increased gross operating margin.** Gross operating margin of \$13.6 million in 2020, an increase of 4.6% compared to \$13.0 million in 2019;
- **Increased operating income.** Operating income of \$9.5 million compared to \$8.5 million in 2019, a 14.4% increase.
- **Higher cash gross operating margin.** Cash gross operating margin of \$276 per AuEq ounce sold ⁽¹⁾ compared to \$208 in 2019;
- **Increased EBITDA.** EBITDA ⁽²⁾ of \$11.7 million (including \$4.8 million in Q4-2020), an increase of 9.3% compared to 2019;
- **Robust cash-flow from operating activities before change in working capital items.** Cash flow from operating activities before change in working capital items of \$8.6 million (\$0.21 per share) ⁽³⁾ similar to 2019;
- **Solid cash position.** Cash on hand of \$11.9 million at year-end 2020 compared to a net cash position of \$3.7 million in 2019.

Cash Return to Shareholders

- **Increased dividends.** 2020 quarterly dividends paid increased by 50% to CA\$0.015 per share and totaling \$1.7 million (CA\$2.3 million).
- **Change in dividend policy.** Starting in February 2021, a CA\$0.005 monthly dividend per share is paid replacing the CA\$0.015 quarterly dividend. During 2020, dividends paid produced an average yield of 3.36%.

⁽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 Audited Consolidated Statement of net income and comprehensive income

(in \$'000)	For the years ended December 31,	
	2020	2019
Sales	101,533	102,499
Cost of sales	(87,928)	(89,531)
Gross operating margin	13,605	12,968
General and administrative expenses	(3,944)	(4,497)
Other projects	(145)	(155)
Operating income	9,516	8,316
Income before income taxes	8,958	8,120
Current income tax expense	(3,427)	(2,962)
Deferred income tax expense,	(1,196)	29
Net income and comprehensive income	4,335	5,187
Earnings per share		
Basic	\$0.11	\$0.13
Diluted	\$0.11	\$0.13

Total sales for the year 2020 were similar to last year. The average gold market price was at \$1,770/oz vs. \$1,393/oz in 2019 which had a positive effect on sales.

The gross operating margin amounted to \$13.6 million in 2020 compared to \$13.0 million in 2019. The 2020 gross operating margin benefited as well, from the margin derived from the December 2019 postponed export.

The gross operating margin includes underactivity fixed expenses incurred in Q2-2020 related to the closure of the plant as per the measures to prevent Covid-19 and amounting to approximately \$1.2 million including mostly salaries of \$0.7 million, as all employees were maintained in preparation for the restart of operations, and depreciation of \$0.5 million.

General and administrative expenses amounted to \$3.9 million in 2020, a 12.3% decrease compared to 2019 mainly due to non-recurring government grants applied against salaries expenses, a decrease in travel expenses and to the absence of provision for impairment of accounts receivable in 2020.

The 2020 net income was significantly impacted by a deferred income tax expense resulting from FX variances between the \$US and the Peruvian Sol. Under IFRS, a deferred income tax effect must be recognized when an entity has a functional currency different from the currency used to determine its current taxes. Given the significant fluctuations between the \$US and the Peruvian Sol in 2020 the Corporation recorded in Q4-2020 a \$1.3 million deferred income tax expense and liability negatively impacting the 2020 tax rate, net income and income per share but had no cash impact for the Corporation in 2020.

Reconciliation of non-IFRS measures

(in \$'000)	For the years ended December 31,	
	2020	2019
Reconciliation of net income and comprehensive income to EBITDA		
Net income and comprehensive income	4,335	5,187
Income taxes expense (current and deferred)	4,624	2,933
Financial expenses	178	60
Depreciation	2,514	2,551
EBITDA	11,651	10,731

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

Operating activities

For the year ended December 31, 2020, the cash flow from operations, before changes in working capital items, amounted to \$8.6 million, similar to the year ended December 31, 2019. Net cash from operating activities amounted to \$11.2 million compared to (-\$5.9 million) for the year ended December 31, 2019. Changes in working capital items amounted to \$2.7 million compared to (-\$14.3 million) for the year ended December 31, 2019.

Investing activities

During the year ended December 31, 2020, the Corporation invested \$0.7 million (\$1.2 million for the year ended December 31, 2019). This amount is mainly comprised of new vehicles and investments at the plant notably in relation with new health and safety protocols consequence of the Covid-19 crisis.

Additions to exploration and evaluation assets were limited to the maintaining and safekeeping of assets in 2020 and 2019.

Financing activities

In 2020, four quarterly dividends of CA\$0.015 per share were disbursed for a total consideration of \$1.7 million (CA\$ 2.3 million). In 2019, four quarterly dividends of CA\$0.01 per share were disbursed for a total consideration of \$1.2 million (CA\$ 1.6 million).

In 2020, the Corporation made repayments of lease liabilities of \$0.6 million (\$0.7 million in 2019).

In 2020, 149,185 common shares were repurchased under the Corporation normal course issuer bid share buyback program for a total cash consideration of \$0.2 million or CA\$ 0.3 million (847,721 shares for a total cash consideration of \$1.1 million or CA\$1.5 million in 2019).

Working Capital and Liquidity

As at December 31, 2020, the Corporation's working capital amounted to \$25.4 million, including \$11.9 million in cash (\$19.6 million, including \$6.7 million in cash and \$3.0 million in short-term loan at December 31, 2019).

EXTRACT FROM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020, total assets amounted to \$76.3 million (\$74.8 million as at December 31, 2019). Major variances since last year-end comes from the repayment of the short-term bank loan, increase in accounts receivable (all of those were fully collected after year-end), decrease in inventories due to the timing of our year-end gold export and the impact of the deferred tax liability recorded in Q4-2020.

(in \$'000)	As at December 31,	As at December 31,
	2020	2019
Cash	11,868	6,743
Accounts receivable	8,434	4,729
Inventories	13,401	18,301
Property, plant and equipment	19,677	20,959
Right-of-use assets	834	1,561
Exploration and evaluation assets	18,510	18,738
Other assets	3,572	3,782
Total assets	76,296	74,813
Trade and other payables	7,082	6,344
Bank loan	-	3,000
Asset retirement obligations	3,604	3,769
Current tax liabilities	1,124	419
Deferred tax liabilities	1,036	-
Lease liabilities	706	1,329
Shareholders' equity	62,744	59,952
Total liabilities and equity	76,296	74,813

OUTLOOK 2021

Ore processing

Since the beginning of 2021 and despite the rainy season, the Corporation purchased monthly record highs of 9,931 tonnes and 11,248 tonnes for January and February, and the Chala plant has been operating at its full capacity. Given the volume of ore purchased, the Corporation was able to even increase its ore inventory during Q1-2021.

With this level of inventory and current strong ore purchases, the Corporation has initiated the expansion project at its Chala plant which will permit increasing the throughput level from its actual 343 tpd to 430 tpd, an increase of 25.0%.

Exploration

The Corporation has planned a drilling program on the Tumipampa project. This program will begin upon reaching a work agreement with local communities with an approximate budget of \$1.0 million for 2021.

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.

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