

PRESS RELEASE

2020

Dynacor Gold Mines Inc. (Dynacor)

Symbol:

Toronto Stock Exchange (TSX): DNG

OTC (United States): DNGDF

Shares outstanding: 38,799,756

PR-2020-08-11

DYNACOR REPORTS A NET LOSS OF US\$ -0.7 M IN Q2-2020 DUE TO THE COVID-19 CRISIS BUT HAS A STRONG FINANCIAL SITUATION AFTER SIX MONTHS

Montreal, August 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 second quarter ended June 30, 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).

Impacted by the COVID-19 crisis, Dynacor, following thirty six (36) consecutive quarters of profits, recorded a net loss of (-\$0.7 M) (-\$0.02 per share) compared to a net profit of \$0.7 M (\$0.02 per share) for the three-month period ended June 30, 2019 ("Q2-2019").

During the quarter, the Corporation concentrated its effort to monetize its inventory and receivables, reducing its risks and solidifying its overall financial situation. The Corporation increased its cash position by \$4.5 M, from \$16.1 M at March 31, 2020 to \$20.6 M at June 30, 2020 and resumed its operations before the end of the period.

Due to the very good financial results of Q1-2020, the net income for the six-month period ending June 30, 2020 is \$1.7 M compared to \$1.9 M for the same period of 2019.

Q2-2020 OVERVIEW AND HIGHLIGHTS

In Q2-2020, due to the ongoing COVID-19 worldwide crisis and the state of emergency declared in Peru, the Corporation had to stop its ore purchase activities and temporarily shut-down its processing operations during almost three months. This exceptional context obviously impacted the Corporation quarterly financial and operational results. Considering its solid financial situation and the gradual resumption of its activities, the Corporation pursued its dividend policy and declared in June, a 0.015\$ CA per share dividend which was paid in July.

Operational

- Volume of 3,244 tonnes processed compared to 22,737 tonnes in Q2-2019;
- Gold production of 1,897 ounces compared to 18,095 ounces in Q2-2019.

Financial

- Cash on hand of \$20.6 M in Q2-2020 compared with \$6.7 M at year-end 2019;
- Sales of \$8.0 M, compared to \$22.7 M in Q2-2019;
- Expenses related to the safeguard of all our production and ore purchase department employees in view of the resumption of activities amounted to \$0.5 M during the quarter;
- Net loss of (-\$0.7 M) or (-\$0.02 per share), compared to a net profit of \$0.7 M in Q2-2019;
- EBITDA ⁽¹⁾ of (-\$0.1 M), compared to \$1.9 M in Q2-2019;
- Cash flow from operating activities before change in working capital items of (-\$0.03 M), compared to \$1.6 M in Q2-2019.

Cash return to Shareholders

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

⁽¹⁾ 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 June 30,		Six-month periods ended June 30,	
	2020	2019	2020	2019
Sales	8,007	22,697	38,876	45,616
Cost of sales	(7,975)	(20,139)	(33,895)	(40,268)
Gross operating margin	32	2,558	4,981	5,348
General and administrative expenses	(746)	(1,150)	(1,837)	(2,107)
Other projects	(13)	-	(141)	-
Operating income	(727)	1,408	3,003	3,241
Income before income taxes	(755)	1,325	2,892	3,106
Net income and comprehensive income	(685)	757	1,700	1,937
Earnings per share				
Basic	(-\$0.02)	\$0.02	\$0.04	\$0.05
Diluted	(-\$0.02)	\$0.02	\$0.04	\$0.05

Total sales amounted to \$8.0 M compared to \$22.7 M in Q2-2019. The \$14.7 M decrease is explained by the decreases in ounces sold (-\$17.2 M) partially offset by higher selling prices (\$2.5 M).

All expenses incurred during the quarter, including fixed operation costs, were accounted as part of cost of sales, which explains the low gross operating margin.

Reconciliation of non-IFRS measures

(in \$'000)	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2020	2019	2020	2019
Reconciliation of net income and comprehensive income to EBITDA				
Net income and comprehensive income	(685)	757	1,700	1,937
Income taxes	(70)	568	1,192	1,169
Financial expenses	31	25	49	65
Depreciation	599	616	1,239	1,261
EBITDA	(125)	1,966	4,180	4,432

CASH FLOW FROM OPERATING, INVESTING AND FINANCING ACTIVITIES AND LIQUIDITY

Operating activities

During Q2-2020, the cash flow from operations, before changes in working capital items, amounted to (-\$0.03 M) (\$3.2 M for the six-month period ending June 30, 2020), compared to \$1.6 M in Q2-2019 (\$3.5 M for the six-month period ending June 30, 2019). This decrease between quarters is primarily explained by the decrease in gross operating margin due to lower gold production.

During Q2-2020, total cash from operating activities amounted to \$5.0 M (\$18.1 M for the six-month period ending June 30, 2020) compared to \$0.4 M in Q2-2019 (\$1.8 M for the six-month period ending June 30, 2019). Changes in working capital items amounted to (\$5.0 M) (\$14.9 M for the six-month period ending June 30, 2020) compared to (-\$1.2 M) in 2019 (-\$1.6 M for the six-month period ending June 30, 2019). The variance is mainly attributable to the variance in inventories.

Financing activities

In 2020, two increased quarterly dividends of CA\$0.015 per share were disbursed for a quarterly consideration of \$0.4 M (CA\$0.6 M). In 2019, two quarterly dividends of CA\$0.01 per share were disbursed for a quarterly consideration of \$0.3 M (CA\$0.4 M).

In 2020 and 2019, the corporation made quarterly repayments of lease liabilities for \$0.2 M.

Liquidity

As at June 30, 2020, the Corporation's working capital amounted to \$21.7 M, including \$20.6 M in cash (\$19.6 M, including \$6.7 M in cash at December 31, 2019).

STATEMENT OF FINANCIAL POSITION

At June 30, 2020, total assets amounted to \$70.2 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 June 30, 2020	As at December 31, 2019
Cash	20.6	6.7
Inventories	4.6	18.3
Property, plant and equipment	19.9	21.0
Exploration and evaluation assets	18.8	18.7
Other assets	6.3	10.1
Total assets	70.2	74.8
Bank loan	-	3.0
ARO	3.8	3.8
Other liabilities	5.5	8.0
Shareholders' equity	60.9	60.0
Total liabilities and equity	70.2	74.8

OUTLOOK

A health and safety protocol has been prepared containing the measures to be taken to monitor the risk of exposure to COVID-19 at the Corporation's workplaces including production unit, as well as establishing prevention and control standards to prevent the appearance and/or spread of the virus and safeguard the health of workers, suppliers, customers and visitors.

The Corporation's purchasing and processing operations resumed in June without any issues. In July we processed an average of more than 230 tonnes per day and aiming to reach full capacity of 300 tonnes per day by the end of the third quarter.

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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