Dynacor Gold Mines Inc.

Condensed Interim Consolidated Financial Statements

As at March 31, 2022 and for the three-month periods ended
March 31, 2022 and 2021
(in US dollars)
(Unaudited)

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UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by, and are the responsibility of the Corporation's management.

The unaudited condensed interim consolidated financial statements of Dynacor Gold Mines Inc. as at March 31, 2022 and for the three-month periods ended March 31, 2022 and 2021, have not been reviewed by the Corporation's external auditors.

Jean Martineau	*Leonard Teoli*
Jean Martineau President and Chief Executive Officer	Leonard Teoli, CPA, CA Vice President of finance and Chief Financial Officer

Dynacor Gold Mines Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(Expressed in US dollars)

	As at March 31, 2022 $	As at December 31, 2021 $
ASSETS		
CURRENT ASSETS		
Cash (Note 5)	**25,723,075**	27,099,182
Accounts receivable (Note 6)	**12,361,494**	8,406,529
Inventories (Note 7)	**15,101,176**	14,763,626
Prepaid expenses and other assets	**584,141**	139,977
	53,769,886	50,409,314
NON-CURRENT ASSETS		
Property, plant and equipment (Note 8)	**20,744,077**	20,759,092
Right-of-use assets (Note 11)	**301,988**	340,808
Exploration and evaluation assets (Note 9)	**18,515,833**	18,515,833
Other non-current assets (Note 7)	**1,331,864**	1,331,864
	40,893,762	40,947,597
TOTAL ASSETS	**94,663,648**	91,356,911
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables (Note 10)	**11,925,852**	11,679,815
Current tax liabilities	**1,993,914**	2,216,584
Current portion of lease liabilities (Note 11)	**75,608**	110,553
	13,995,374	14,006,952
NON-CURRENT LIABILITIES		
Asset retirement obligations (Note 12)	**3,492,142**	3,552,620
Lease liabilities (Note 11)	**237,313**	233,416
Deferred tax liabilities	**927,474**	1,555,278
	4,656,929	5,341,314
TOTAL LIABILITIES	**18,652,303**	19,348,266
SHAREHOLDERS' EQUITY		
Share capital (Note 13 a))	**21,811,904**	21,511,430
Contributed surplus (Notes 13 b) and c))	**3,363,249**	3,477,955
Retained earnings	**50,836,192**	47,019,260
TOTAL SHAREHOLDERS’ EQUITY	**76,011,345**	72,008,645
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**94,663,648**	91,356,911

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Approved by the Board of Directors,

(s) Jean Martineau	*(s) Roger Demers FCPA,FCA,ASC*
Jean Martineau	Roger Demers FCPA, FCA, ASC

Dynacor Gold Mines Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited)
For the three-month periods ended March 31, 2022 and 2021
(Expressed in US dollars)

	For the three-month periods ended March 31, 2022 $	2021 $
Sales	**50,080,153**	40,909,064
Cost of sales (Note 15)	**(42,555,184)**	(35,606,013)
Gross operating margin	**7,524,969**	5,303,051
General and administrative expenses (Note 15)	**(1,397,402)**	(1,207,404)
Other project expenses	**(40,491)**	(16,284)
Operating income	**6,087,076**	4,079,363
Financial income (Note 15)	**8,754**	8,601
Financial expenses (Note 15)	**(64,897)**	(59,674)
Foreign exchange loss	**(17,502)**	(100,473)
Income before income taxes	**6,013,431**	3,927,817
Income tax expense		
Current (Note 15)	**(1,514,942)**	(1,553,866)
Deferred (Note 15)	**627,803**	(267,530)
	(887,139)	(1,821,396)
Net income and comprehensive income	**5,126,292**	2,106,421
Weighted average number of outstanding common shares (Note 14)		
Basic	**38,636,231**	38,856,049
Diluted	**39,641,181**	39,229,142
Earnings per share (Note 14)		
Basic	**$0.13**	$0.05
Diluted	**$0.13**	$0.05

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Dynacor Gold Mines Inc.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
For the three-month periods ended March 31, 2022 and 2021
(Expressed in US dollars)

	Share Capital **$**	**Contributed surplus** **$**	**Retained earnings** **$**	**Total equity** **$**
Balance, January 1, 2022	**21,511,430**	**3,477,955**	**47,019,260**	**72,008,645**
Net income and comprehensive income for the period	-	-	5,126,292	5,126,292
	21,511,430	3,477,955	52,145,552	77,134,937
Share-based compensation expense (Note 13 b))	-	26,529	-	26,529
Exercise of stock options (Note 13 a) i))	459,424	(141,235)	-	318,189
Repurchase of common shares (Note 13 a) ii))	(158,950)	-	(548,448)	(707,398)
Dividends (Note 13 d))	-	-	(760,912)	(760,912)
Transactions with owners	300,474	(114,706)	(1,309,360)	(1,123,592)
Balance, March 31, 2022	**21,811,904**	**3,363,249**	**50,836,192**	**76,011,345**

	Share Capital **$**	**Contributed surplus** **$**	**Retained earnings** **$**	**Total equity** **$**
Balance, January 1, 2021	**21,011,151**	**3,483,715**	**38,249,314**	**62,744,180**
Net income and comprehensive income for the period	-	-	2,106,421	2,106,421
	21,011,151	3,483,715	40,355,735	64,850,601
Share-based compensation expense (Note 13 b))	-	66,503	-	66,503
Repurchase of common shares (Note 13 a) ii))	(27,692)	-	(49,721)	(77,413)
Dividends (Note 13 d))	-	-	(463,032)	(463,032)
Transactions with owners	(27,692)	66,503	(512,753)	(473,942)
Balance, March 31, 2021	**20,983,459**	**3,550,218**	**39,842,982**	**64,376,659**

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

(Expressed in US dollars)

	For the three-month periods ended March 31, 2022 $	2021 $
Operating activities		
Net income	**5,126,292**	2,106,421
Adjustments for:		
Provision for impairment of accounts receivable (Note 15)	**(7,193)**	(8,678)
Depreciation (Note 15)	**683,448**	643,367
Loss (gain) on disposal of property, plant and equipment and of right-of-use assets	**-**	(10,173)
Deferred tax expense	**(691,436)**	315,753
Accretion expense on asset retirement obligations (Note 12)	**18,437**	18,046
Share-based compensation (Note 13 b))	**26,529**	66,503
Unrealized foreign exchange loss (gain)	**26,660**	(54,657)
	5,182,737	3,076,582
Changes in working capital items (Note 16)	**(4,712,066)**	3,750,555
Net cash from operating activities	**470,671**	6,827,137
Investing activities		
Proceeds from disposal of property, plant and equipment and right-of-use assets	**-**	11,017
Acquisition of property, plant and equipment (Note 8)	**(629,613)**	(494,355)
Additions to exploration and evaluation assets	**-**	2,095
Net cash from (used in) investing activities	**(629,613)**	(481,243)
Financing activities		
Payment on asset retirement obligations (Note 12)	**(78,915)**	(54,945)
Repayment of lease liabilities and interests' payments (Note 11)	**(31,048)**	(75,634)
Proceeds from the exercise of stock options (Note 13 a) i))	**318,189**	-
Repurchase of common shares (Note 13 a) ii))	**(707,398)**	(77,413)
Dividends	**(757,970)**	(766,669)
Net cash (used in) from financing activities	**(1,257,142)**	(974,661)
Change in cash during the period	**(1,416,084)**	5,371,233
Effect of exchange rate fluctuation on cash	**39,977**	4
Cash, beginning of period	**27,099,182**	11,867,763
Cash, end of period	**25,723,075**	17,239,000
Income taxes paid related to operating activities	**1,843,167**	1,162,147

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

1. Statute of incorporation and nature of activities

Dynacor Gold Mines Inc. ("Dynacor", the ultimate controlling Corporation), an ore processing and exploration Corporation active in Peru, incorporated under Part 1A of the Companies Act (Québec) and as of February 14, 2011, is governed under the Business Corporations Act (Québec). The Corporation's principal place of business is 625 René-Lévesque Blvd West, suite 1200, Montréal, Québec, Canada.

Dynacor, including its subsidiary (collectively, the "Corporation"), produces gold and silver from ore purchased from local Peruvian miners which is processed at the Corporation's wholly owned processing plant. The Corporation derives all its sales from Peru. The Corporation does not have any mining producing properties.

The Corporation also hold interests in mineral properties in Peru that are currently in the exploration stage. The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurance that current exploration, development and mining plans will result in profitable mining operations. The recoverability of the carrying value of assets and the Corporation's continued existence is dependent upon the continuation of ore processing operations.

In July 2021, the Corporation obtained a favorable court order for the release of more than 60% of the 2,650 ounces shipment retained by the Peruvian authorities in December 2019. The portion of the shipment subject to the court order was exported during the third quarter. The Corporation cannot predict at this time when the remaining portion of the retained shipment will be released by the authorities and therefore this retained portion is still classified under other non-current assets as at March 31, 2022.

The Covid-19 pandemic is still active worldwide and its duration and full impacts are still unknown. Therefore, it could still have a prospective material impact on the Corporation's activities, cash flow and liquidities. The Corporation has taken and will continue to take actions to minimize any eventual impacts.

2. Statement of compliance with IFRS, basis of measurement and basis of consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* and does not include all the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board have been omitted or condensed. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Corporation since the last annual consolidated financial statements as at and for the year ended December 31, 2021.

These condensed interim consolidated financial statements are presented in United States dollars, which is the Corporation's functional currency. The functional currency has remained unchanged during the reporting periods.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors (the "Board") on May 12, 2022.

Basis of measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis.

2. Statement of compliance with IFRS, basis of measurement and basis of consolidation (continued)

Basis of consolidation

The condensed interim consolidated financial statements include the accounts of Dynacor, its subsidiary and a structured entity. Dynacor controls an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany balances and transactions are eliminated on consolidation. Dynacor and its subsidiary have a year end of December 31.

These condensed interim consolidated financial statements include the financial statements of Dynacor and its wholly owned Peruvian subsidiary Minera Veta Dorada SAC and those of a structured entity.

3. Significant accounting policies

The policies applied in these condensed interim consolidated financial statements are the same accounting policies and methods as those in our most recent audited annual financial statements.

4. Judgments, estimates and assumptions

The preparation of consolidated financial statements requires the Corporation's management to make judgments, estimates and assumptions on reported amounts of assets and liabilities, and reported amounts of revenues and expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may be substantially different.

The critical accounting, judgements, estimates and assumptions are the same as those in our most recent audited annual financial statements.

(Expressed in US dollars)

5. Cash

	As at March 31, 2022 $	As at December 31, 2021 $
Cash (equivalent in USD)		
United States dollars [(1)]	**24,911,877**	26,325,427
Peruvian Nuevo soles	**224,379**	611,768
Canadian dollars	**586,819**	161,987
	25,723,075	27,099,182

(1) As at March 31, 2022 and December 31, 2021, $187,887 has been given as collateral against stand-by letters of credit totaling $187,887.

6. Accounts receivable

	As at March 31, 2022 $	As at December 31, 2021 $
Sales tax receivable [(1)]	**5,631,058**	4,635,346
Trade and other receivables [(2)]	**6,248,838**	3,634,605
Advances to suppliers	**481,598**	136,578
	12,361,494	8,406,529

(1) Subsequent to period end, an amount of $2.7 million was recovered from previous months filing claims.

(2) $5.9 million recovered subsequent to period end.

The Corporation's gold sales, at market price in effect at the time of delivery, were done with one sole customer of which its president is a director of the Corporation since August 12, 2020. Economic dependence is mitigated as the Corporation can sell its gold to numerous clients worldwide.

7. Inventories

	As at March 31, 2022 $	As at December 31, 2021 $
Ore	**7,355,375**	8,801,042
Gold in process	**7,210,029**	5,557,723
Finished goods-Gold dore bars [(1)]	**1,331,864**	1,331,864
Supplies	**535,772**	404,861
	16,433,040	16,095,490
Less: long term portion – other assets	**(1,331,864)**	(1,331,864)
	15,101,176	14,763,626

No inventories are carried at fair value less cost to sell at March 31, 2022 and December 31, 2021.

(1) Included in finished goods-Gold dore bars is the remaining portion of the December 2019 shipment retained by the Peruvian authorities (Note 1). The Corporation cannot predict at this time when the remaining portion of the retained shipment will be released by the authorities and therefore it is still classified under other non-current assets as at March 31, 2022.

(Expressed in US dollars)

8. Property, plant and equipment

	Land $	Buildings $	Plant & equipment $	Rolling stock $	Total $
Cost					
Balance, January 1, 2022	998,011	4,881,976	23,658,285	3,392,688	32,930,960
Additions	-	7,826	381,337	240,450	629,613
Balance, March 31, 2022	998,011	4,889,802	24,039,622	3,633,138	33,560,573
Accumulated Depreciation					
Balance, January 1, 2022	-	1,382,138	8,821,168	1,968,562	12,171,868
Depreciation	-	62,524	458,062	124,042	644,628
Balance, March 31, 2022	-	1,444,662	9,279,230	2,092,604	12,816,496
Net book value, March 31, 2022	**998,011**	**3,445,140**	**14,760,392**	**1,540,534**	**20,744,077**

	Land $	Buildings $	Plant & equipment $	Rolling stock $	Total $
Cost					
Balance, January 1, 2021	686,960	4,766,667	21,427,544	2,860,631	29,741,802
Additions	311,051	115,309	2,254,081	758,525	3,438,966
Reclassification from right-of-use assets	-	-	-	300,674	300,674
Disposals	-	-	(23,340)	(527,142)	(550,482)
Balance, December 31, 2021	998,011	4,881,976	23,658,285	3,392,688	32,930,960
Accumulated Depreciation					
Balance, January 1, 2021	-	1,137,807	7,095,924	1,831,051	10,064,782
Depreciation	-	244,331	1,741,439	470,180	2,455,950
Reclassification from right-of-use assets	-	-	-	141,836	141,836
Disposals	-	-	(16,195)	(474,505)	(490,700)
Balance, December 31, 2021	-	1,382,138	8,821,168	1,968,562	12,171,868
Net book value, December 31, 2021	**998,011**	**3,499,838**	**14,837,117**	**1,424,126**	**20,759,092**

(Expressed in US dollars)

9. Exploration and evaluation assets

	Exploration properties			
	Tumipampa $	Anta $	Others $	Total $
Mining rights				
Balance, January 1, 2022	1,305,496	180,193	23,065	1,508,754
Balance, March 31, 2022	**1,305,496**	**180,193**	**23,065**	**1,508,754**
Deferred exploration and evaluation costs				
Balance, January 1, 2022	16,700,096	306,983	-	17,007,079
Balance, March 31, 2022	16,700,096	306,983	-	17,007,079
TOTAL	**18,005,592**	**487,176**	**23,065**	**18,515,833**

	Exploration properties			
	Tumipampa $	Anta $	Others $	Total $
Mining rights				
Balance, January 1, 2021	1,305,496	180,193	24,832	1,510,521
Write-off	-	-	(1,767)	(1,767)
Balance, December 31, 2021	1,305,496	180,193	23,065	1,508,754
Deferred exploration and evaluation costs				
Balance, January 1, 2021	16,692,692	306,983	-	16,999,675
Additions (2)	7,404	-	-	7,404
Balance, December 31, 2021	16,700,096	306,983	-	17,007,079
TOTAL	**18,005,592**	**487,176**	**23,065**	**18,515,833**

(1) Net of royalty income derived from the Tumipampa property ($15,681).

Tumipampa property ("Tumipampa")

Tumipampa is located 500 km from Lima, Peru, in the Circa district, Province of Abancay, department of Apurimac. As at March 31, 2022, the Tumipampa project covers an area of 7,027 hectares.

The Board of Directors approved an exploration program for 2022.

Anta property ("Anta")

Anta is in the district of San Pedro, 72 km west of Nazca, within the Western Andean Cordillera in the Province of Lucanas, Department of Ayacucho. Anta includes six concessions that cover an area of 4,400 hectares and is a copper/silver exploration prospect.

(Expressed in US dollars)

10. Trade and other payables

	As at March 31, 2022 $	As at December 31, 2021 $
Accounts payable and accrued liabilities (1)	**10,044,470**	8,693,900
Accrued profit sharing (2)	**413,642**	2,195,045
Wages and benefits payable	**1,467,740**	790,870
	11,925,852	11,679,815

(1) Including $256,676 of dividends paid in April 2022 ($253,734 as at December 31, 2021 of dividends paid in January 2022).

(2) Under Peruvian labor laws, the Corporation is required to distribute 8% of its annual taxable income before tax to employees for each of its Peruvian subsidiary. Amounts accrued as at December 31 are paid in March of the following year.

11. Leases

The Corporation has leases for the land of the Chala plant, office spaces and some of its rolling stock. The leases have an initial term of 2 to 15 years, and some have a renewal option after that date. The lease terms are negotiated individually and encompass a wide range of different terms and conditions.

Right-of-use assets

	Land $	Building $	Total $
Costs			
Balance, January 1, 2022	260,643	606,743	867,386
Balance, March 31, 2022	260,643	606,743	867,386
Accumulated Depreciation			
Balance, January 1, 2022	45,329	481,249	526,578
Depreciation	3,777	35,043	38,820
Balance, March 31, 2022	49,106	516,292	565,398
Net book value, March 31, 2022	**211,537**	**90,451**	**301,988**

These right-of-use assets are located in Peru except for $61,799 in Canada ($68,192 as at December 31, 2021).
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(Expressed in US dollars)

11. Leases (continued)

Right-of-use assets (continued)

	Land $	Building $	Rolling Stock $	Total $
Costs				
Balance, January 1, 2021	260,643	745,745	330,467	1,336,855
Reclassification to Property, plant and equipment	-	-	(300,674)	(300,674)
Disposals and cancellations	-	(139,002)	(29,793)	(168,795)
Balance, December 31, 2021	260,643	606,743	-	867,386
Accumulated Depreciation				
Balance, January 1, 2021	30,220	326,174	146,802	503,196
Depreciation	15,109	155,075	12,414	182,598
Reclassification to Property, plant and equipment	-	-	(141,836)	(141,836)
Disposals and cancellations	-	-	(17,380)	(17,380)
Balance, December 31, 2021	45,329	481,249	-	526,578
Net book value, December 31, 2021	**215,314**	**125,494**	**-**	**340,808**

Lease liabilities

	As at March 31, 2022 $	As at December 31, 2021 $
Balance, beginning of the period	**343,969**	706,748
New leases and changes in leases	**-**	(139,002)
Repayment of lease liabilities and interests' payments	**(31,048)**	(223,777)
Balance, end of the period	**312,921**	343,969

The future minimum lease payments due for the next years are as follows:

	As at March 31, 2022 $	As at December 31, 2021 $
Within one year	**89,272**	125,138
1 to 2 years	**51,750**	49,957
2 to 5 years	**74,432**	77,911
After 5 years	**184,179**	176,742
	399,633	429,748
Less: implicit interest from 5.00% to 6.33% (2021 – 5.00% to 6.33%)	**(86,712)**	(85,779)
	312,921	343,969
Less: current portion	**75,608**	110,553
	237,313	233,416

(Expressed in US dollars)

11. Leases (continued)

Renewal option

Some leases for office space include renewal options that can be exercised at the Corporation's option. These options are used to maximise the operational flexibility of the Corporation's activities. These options are not reflected in measuring lease liabilities in many cases because the options are not reasonably certain to be exercised by the Corporation. This is also the case when the underlying office space is not vital to the Corporation and there are other alternative solutions to replace the underlying assets. The Corporation's practice is to ensure that the space meets its needs, which evolve over time.

The potential future rental payments as at March 31, 2022, relating to periods following the exercise dates of extension options is not significant.

Lease payments not recognised as a liability

The expense relating to payments not included in the measurement of a lease liability is $25,000 for the three-month periods ended March 31, 2022 and ($23,500 for the three-month period ending March 31, 2021) and relates to short term leases.

The Corporation has short-term lease agreements (less than 12 months). As at March 31, 2022, future minimum lease payments required to meet obligations total $40,000 ($60,000 as at December 31, 2021).

12. Asset retirement obligations

The table below presents the reconciliation of the provision for asset retirement obligations for the periods ended:

	As at March 31, 2022 $	**As at December 31, 2021 $**
Balance, beginning of the period	**3,552,620**	3,603,616
Disbursement	**(78,915)**	(123,178)
Accretion of discounted cash flows	**18,437**	72,182
Balance, end of the period	**3,492,142**	3,552,620

The provision for closure of production facilities and exploration projects represents the present value of the closure costs that are expected to be incurred between the years 2022 and 2038 for the Veta Dorada Plant and the Tumipampa exploration project. These estimates are based on studies prepared by independent advisers that meet the environmental regulations in effect. The provision for closure of the production facilities and exploration projects corresponds mostly to activities that must be carried out for restoring the areas affected by operation and production activities. The principal works to be performed correspond to earthworks, re-vegetation efforts and dismantling of the production facilities. Closure budgets are reviewed regularly to consider any significant change in the studies conducted. Nevertheless, the closure costs will depend on the market prices for the closure works required, which would reflect future economic conditions. Also, the time when the disbursements will be made depends on the useful life of the facilities.

As of March 31, 2022, the future value of the provision for closure of facilities and exploration projects is $4.7 million ($4.7 million as at December 31, 2021) which has been discounted using annual risk-free rates up 2.17% in periods of up to 17 years.

The table below presents the breakdown of the provision for asset retirement obligations for the periods ended:

	As at March 31, 2022 $	**As at December 31, 2021 $**
Veta Dorada Plant	**3,416,966**	3,398,529
Tumipampa	**75,176**	154,091
Balance, end of the period	**3,492,142**	3,552,620

(Expressed in US dollars)

12. Asset retirement obligations (continued)

The Corporation believes that this liability is sufficient to meet the current environmental protection laws approved by the Ministry of Energy and Mines (MEM). As of March 31, 2022, the Corporation has constituted letters of credit in favor of the MEM for $2,075,000 ($2,075,000 as at December 31, 2021) to secure closure plans of its production facilities and exploration projects.

13. Share capital

a) Shares authorized

Unlimited number of common shares, without par value.

Unlimited number of preferred shares, without par value, non-cumulative annual dividend of 8%, redeemable at their issue price, non-participating, non-voting.

Issued and fully paid

Movements in the Corporation's share capital during the three-month periods ended March 31, 2022 and 2021, are as follows:

	2022		2021	
	Numbers of common shares	Amount $	Numbers of common shares	Amount $
Balance beginning of year	**38,757,083**	**21,511,430**	38,866,254	21,011,151
Exercise of share purchase options i)	**172,500**	**459,424**	-	-
Repurchase of common shares ii)	**(285,836)**	**(158,950)**	(51,225)	(27,692)
Balance, end of period	**38,643,747**	**21,811,904**	38,815,029	20,983,459

i) During the three-month period ended March 31, 2022, a total of 172,500 stock options were exercised (none for the three-month period ended March 31,2021) under the Plan for a cash consideration of $318,189 (CA$401,700). Upon exercise, an amount of $141,235 which had been attributed to those stock options were reclassified from contributed surplus to share capital.

ii) In 2021, the TSX has approved the new NCIB, over a period of twelve months commencing on May 3, 2021 and ending May 2, 2022, under which Dynacor may purchase, for cancellation, with a daily maximum of 10,919 shares, up to 3,111,165 common shares or approximately 10% of its public float as of April 20, 2021.

In 2020, the TSX has approved the new NCIB, over a period of twelve months commencing on May 2, 2020 and ending May 1, 2021, under which Dynacor may purchase, for cancellation, with a daily maximum of 11,945 shares, up to 3,725,828 common shares or approximately 10% of its public float as of April 14, 2020.

The extent to which Dynacor repurchases its shares and the timing of such repurchases will depend upon market conditions and other corporate considerations, as determined by the Corporation's management team. The purchases will be funded from existing cash balances.

For the three-month period ending March 31, 2022, the Corporation has repurchased 285,836 common shares for a total cash consideration of $707,398 (CA$ 896,682), an average repurchase cost of $ 2.47 (CA$ 3.14) per share. Total cash consideration paid exceeded by $548,848 the respective book value of the shares repurchased. This excess was recorded as a reduction of retained earnings in the Consolidated Statement of Changes in Equity.

For the three-month period ending March 31, 2021, the Corporation has repurchased 51,225 common shares for a total cash consideration of $77,413 (CA$ 97,462), an average repurchase cost of $ 1.51 (CA$ 1.90) per share. Total cash consideration paid exceeded by $49,721 the respective book value of the shares repurchased. This excess was recorded as a reduction of retained earnings in the Consolidated Statement of Changes in Equity.

In April 2022, subsequent to period end, the TSX has approved the new NCIB, over a period of twelve months commencing on May 5, 2022 and ending May 4, 2023, under which Dynacor may purchase, for cancellation, with a daily maximum of 6,085 shares, up to 3,082,382 common shares or approximately 10% of its public float as of April 20, 2022.

(Expressed in US dollars)

13. Share capital (continued)

b) Share purchase options

On August 14, 2007, the Board adopted a stock option plan (the "Plan") whereby they may grant to directors, officers, employees, or consultants options to acquire common shares up to 10% of the issued and outstanding common shares. The Board has the authority to determine the terms, limits, restrictions and conditions of the grant of options, to interpret the Plan and make all decisions relating thereto. The option exercise price is established by the Board and may not be lower than the market price of the common shares at the time of grant. At the June 17, 2021 annual meeting of shareholders, the shareholders approved a Board resolution authorizing an amendment to the Plan allowing the replenishment of 983,250 options previously issued under the Plan and that have already been exercised by their holders. The total amount of shares issuable under the Plan, is 2,750,000 common shares. The options may be exercised during a period determined by the Board, which may vary, but will not exceed ten years from the date of the grant.

Movements in the Corporation's share purchase options during the three-month periods ended March 31, 2022 and 2021, are as follows:

	2022		2021	
	Numbers of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CA$		CA$
Balance, beginning of period	**1,305,406**	**1.96**	1,045,000	1.99
Granted	**-**	**-**	500,000	1.80
Exercised	**(172,500)**	**2.06**	-	-
Balance, end of period	**1,132,906**	**1.90**	1,545,000	1.93
Exercisable options	856,781	1.94	993,000	2.01

The weighted average share price for the share options exercised during the three-month period ended March 31, 2022, at the date of the exercise is CA$3.27.

During the period, there were no share options granted. During the three-month period ended March 31, 2021, 150,000 share purchase options were granted at an exercise price of CA$1.80. The aggregate fair value of those options was $66,929 ($0.45 per share purchase option). The fair values of these options were determined using the Black-Scholes option pricing model based on the assertions described below.

Additionally, during the three-month period ended March 31, 2021, 350,000 share purchase options were granted at an exercise price of CA$1.80 per option. The aggregate fair value of those options was $149,319 ($0.43 per share purchase option). Share purchase options under this program will vest if certain market conditions are met. These market conditions are based on the performance of the Corporation share price in different steps within a specified period. The fair values of these options were determined using a Monte Carlo simulation and based on the assertions described below.

The table below shows the assumptions, or weighted average parameters and performance conditions, applied to determine share-based compensation costs over the life of the awards for share purchase options granted during the three-month-period ended March 31, 2021.

	2021
Risk-free interest rate	0.8%
Expected volatility	44.7%
Expected life	84 months
Exercise price	CA$1.80
Share price	CA$1.80
Dividend yield	3.3%
Forfeiture rate (1)	2.0%

(1) Applies only to the valuation using the Black-Scholes model

The volatility has been estimated based on the historical share prices of Dynacor over the expected average life of the options.

(Expressed in US dollars)

13. Share capital (continued)

b) Share purchase options

For the three-month period ended March 31, 2022, the total share-based compensation costs amounted to $26,529 and was charged to the consolidated statement of comprehensive income ($66,503 for the three-month period ended March 31, 2021).

c) Deferred share units "DSU"

Effective May 11, 2015, the Corporation put in place the DSU Plan, whereby the Board may grant to its directors, senior officers and shareholders DSUs. DSUs are units that are credited to an eligible participant's account, the value of which, on a particular date, shall be equal to the fair market value of the Corporation's common share for such date. The Board has the authority to determine the number of DSUs to be awarded and the terms and conditions of each award. At the June 17, 2021 annual meeting of shareholders, the shareholders approved the increase of the number of shares that are reserved for issuance under the DSU Plan from 500,000 to 1,000,000. DSUs can only be settled following departure from the Corporation in accordance with the terms of the DSU Plan.

A summary of the activity related to the Corporation's DSUs during the three-month period ended March 31, 2022 and 2021, is provided below.

	2022		**2021**	
	Numbers of DSUs	**Cost $**	**Numbers of DSUs**	**Cost $**
Balance, beginning and end of period	**420,855**	**631,419**	404,399	547,023

There was no movement related to the Corporation's DSUs during the three-month periods ended March 31, 2022 and 2021. Consequently, the Corporation has not recorded any compensation costs relating to DSU's in the condensed interim consolidated statement of comprehensive income.

d) Dividends

The following dividends were declared by the Corporation:
- Three monthly dividend cumulating CA$0.025 per qualifying common share during the three-month period ended March 31, 2022 resulting in a total dividend amounting to $760,912 (CA$961,551).
- Twelve monthly dividend cumulating CA$0.0752 per qualifying common share during the year ended December 31, 2021 resulting in a total dividend amounting to $2,335,440 (CA$2,922,865).

14. Earnings per share

Both the basic and diluted earnings per share have been calculated using the net income as the numerator, i.e. no adjustment to net income was necessary during the three-month periods ended March 31, 2022 and 2021.

	Three-month periods ended March 31,	
	2022	**2021**
Net income for the period	**$5,126,292**	$2,106,421
Weighted average number of common shares outstanding	**38,636,231**	38,856,049
Dilutive share purchase options and DSUs (1)	**1,004,950**	373,093
Weighted average number of outstanding shares for diluted earnings per share	**39,641,181**	39,229,142
Basic earnings per share	**$0.13**	$0.05
Diluted earnings per shares (1)	**$0.13**	$0.05

(1) As at March 31, 2022, no stock options are excluded from the 2022 diluted earnings per share (490,000 in 2021) since their exercise price are lower than the average market price for Dynacor shares during the three-month period ended March 31, 2022.

(Expressed in US dollars)

15. Information included in the consolidated statements of comprehensive income

The following table provides a breakdown of employee remuneration:

	Three-month periods ended March 31, 2022 $	2021 $
Salaries and short-term employee benefits		
Cost of sales	**1,122,578**	894,859
General and administration expenses	**798,019**	696,168
Salaries and short-term employee benefits	**1,920,597**	1,591,027
Share-based compensation		
General and administration expenses	**26,529**	66,503
Share based compensation	**26,529**	66,503
Total employee remuneration	**1,947,126**	1,657,530

	Three-month periods ended March 31, 2022 $	2021 $
Cost of sales		
Ore	**38,599,749**	29,386,854
Salaries, benefits and other employee expenses	**1,237,299**	979,956
Production supplies	**1,328,620**	920,186
Transportation	**1,429,864**	1,198,330
Other production costs	**689,318**	419,881
Provision for impairment of accounts receivable	**(7,193)**	(8,678)
Depreciation of property, plant and equipment and of right-of-use assets	**614,049**	570,076
Peruvian profit-sharing expense	**315,784**	335,377
Variation of gold in process inventory	**(1,652,306)**	1,804,031
	42,555,184	35,606,013
General and administrative expenses		
Salaries and benefits and other employee expenses	**806,286**	703,287
Office and other expenses	**130,611**	101,063
Professional fees	**106,297**	88,372
Promotion, investor relation and corporate expenses	**130,742**	52,985
Travel expenses	**39,348**	38,059
Depreciation of property, plant and equipment and of right-of-use assets	**69,399**	73,291
Peruvian profit-sharing expense	**88,190**	83,844
	1,370,873	1,140,901
Share-based compensation:		
Options	**26,529**	66,503
	1,397,402	1,207,404

(Expressed in US dollars)

15. Information included in the consolidated statements of comprehensive income (continued)

	Three-month periods ended March 31, 2022 $	2021 $
Financial income		
Interest and other financial income	**8,754**	8,601
Financial expenses		
Interest on lease liabilities	**4,507**	10,121
Other interest and financial expenses	**41,953**	31,507
Accretion expense on asset retirement obligation	**18,437**	18,046
	64,897	59,674

	Three-month periods ended March 31, 2022 $	2021 $
Depreciation		
Depreciation of property, plant and equipment	**610,272**	560,340
Depreciation of right-of-use assets	**3,777**	9,736
Depreciation included in costs of sales	**614,049**	570,076
Depreciation of property, plant and equipment	**34,356**	29,305
Depreciation of right-of-use assets	**35,043**	43,986
Depreciation included in general and administration expenses	**69,399**	73,291
	683,448	643,367

Income taxes

The major components of the income tax expense are:

	Three-month periods ended March 31, 2022 $	2021 $
Current income tax	**1,514,942**	1,553,866
Deferred income tax	**(627,803)**	267,530
	887,139	1,821,396

During the three-month period ended March 31, 2021, $204,000 of withholding tax on dividend was paid (none during the three-month period ended March 31, 2021).

During the three-month period ended March 31, 2022, the Corporation recognized a deferred tax recovery in the amount of -$606,801 (expense of $305,831 for the three-month period ending March 31, 2021) mainly related to the difference between the carrying amount for accounting purposes and (which reflects the historical cost in the entity's functional currency) and the underlying tax basis (which reflects the current local tax cost, translated into the functional currency using the current foreign exchange rate).

(Expressed in US dollars)

16. Information included in the statements of cash flows

	Three-month periods ended March 31,	
	2022	2021
	$	$
Changes in working capital items		
Accounts receivable	**(3,821,692)**	1,154,640
Current tax liabilities	**(267,130)**	456,475
Inventories	**(337,550)**	1,967,543
Prepaid expenses	**(444,164)**	(156,314)
Trade and other payables	**158,470**	328,211
	(4,712,066)	3,750,555

17. Related party transactions and disclosures

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation as a whole. The Corporation has determined that key management personnel consists of members of the Corporation's Board of Directors, corporate officers, including the Corporation's Chief Executive Officer, Chief Financial Officer and Vice President Operations.

Remuneration recorded to key management personnel can be summarized as follows:

	Three-month periods ended March 31,	
	2022	2021
	$	$
Salaries, benefits and directors' fees	**408,832**	288,556
Share-based compensation (1)	**20,448**	13,632
	429,280	302,188

(1) Represents the share-based compensation costs charged to the consolidated statement of comprehensive income during the period.

Other related parties

In the normal course of operations and at fair value, being the amount of consideration determined and agreed to by the related parties:

A firm of which an officer of the Corporation is a partner, charged legal fees amounting to $17,374 for the three-month period ended March 31, 2022 ($15,007 for the three-month period ended March 31, 2021).

A Director charged consulting fees relating to the revision of health, safety and environmental procedures and amounting to $14,220 for the for the three-month period ended March 31, 2022 ($13,229 for the three-month period ended March 31, 2021).

18. Other commitments and other contingencies

Sunat 2015 audit

On October 26, 2021 the Corporation's Peruvian subsidiary received a notice of assessment from the local tax authorities for the fiscal year 2015 in the amount of 25.6 million Soles ($6.9 million) including 16.3 million Soles ($4.4 million) in penalties and interests. Additional interests since October 26, 2021 are estimated at $0.2 million. The main item of the assessment relates to the ore purchased from certain suppliers, qualified as non genuine transactions by the local tax authorities and therefore considered by the authorities as non-deductible expenses.

The Corporation and its legal tax counsel strongly believe that ore purchases are genuine deductible transactions. Therefore, the Corporation contested this claim. As at March 31, 2022 no provision has been recorded for the deductibility of ore purchases. Any provision would be recognized in the Corporation's consolidated financial statements if an unfavorable outcome becomes probable.

Other commitments

The Corporation has contractual commitments with suppliers. As at March 31, 2022, the obligations are $310,000, $90,000 and $100,000 over the next three years ($565,000 as at December 31, 2021).