Dynacor Gold Mines Inc.

Condensed Interim Consolidated Financial Statements

As at September 30, 2020 and for
the three-month and nine-month periods ended
September 30, 2020 and 2019
(in US dollars)
(Unaudited)

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 September 30, 2020 and for the three-month and nine-months periods ended September 30, 2020 and 2019, have not been reviewed by the Corporation's external auditors.

Jean Martineau

Jean Martineau
President and Chief Executive Officer

Leonard Teoli

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 September 30, 2020 $	As at December 31, 2019 $
ASSETS		
CURRENT ASSETS		
Cash (Note 5)	**16,573,258**	6,743,221
Accounts receivable (Note 6)	**6,668,757**	4,728,742
Inventories (Note 7)	**7,264,459**	18,301,085
Prepaid expenses and other assets	**316,464**	179,719
	30,822,938	29,952,767
NON-CURRENT ASSETS		
Property, plant and equipment (Note 8)	**19,759,715**	20,958,711
Right-of-use assets (Note 12)	**1,122,632**	1,560,674
Exploration and evaluation assets (Note 9)	**18,523,153**	18,738,182
Deferred tax assets	**102,486**	159,979
Other non-current assets (Note 7)	**3,443,120**	3,443,120
	42,951,106	44,860,666
TOTAL ASSETS	**73,774,044**	74,813,433
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables (Note 10)	**6,632,927**	6,344,151
Bank loan (Note11)	**-**	3,000,000
Current tax liabilities	**604,508**	418,877
Current portion of lease liabilities (Note 12)	**380,072**	572,316
	7,617,507	10,335,344
NON-CURRENT LIABILITIES		
Asset retirement obligations (Note 13)	**3,776,873**	3,769,373
Lease liabilities (Note 12)	**429,988**	756,865
	4,206,861	4,526,238
TOTAL LIABILITIES	**11,824,368**	14,861,582
SHAREHOLDERS' EQUITY		
Share capital (Note 14 a))	**21,091,801**	20,631,364
Contributed surplus (Notes 14 b) and c))	**3,408,876**	3,545,284
Retained earnings	**37,448,999**	35,775,203
TOTAL SHAREHOLDERS' EQUITY	**61,949,676**	59,951,851
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**73,774,044**	74,813,433

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 and nine-month periods ended September 30, 2020 and 2019
(Expressed in US dollars)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Sales	**24,089,094**	33,667,375	**62,965,311**	79,283,300
Cost of sales (Note 16)	**(20,834,332)**	(29,052,984)	**(54,729,638)**	(69,321,061)
Gross operating margin	**3,254,762**	4,614,391	**8,235,673**	9,962,239
General and administrative expenses (Note 16)	**(914,723)**	(973,859)	**(2,751,414)**	(3,080,607)
Other project expenses	**(3,044)**	(99,065)	**(144,058)**	(99,065)
Operating income (loss)	**2,336,995**	3,541,467	**5,340,201**	6,782,567
Financial income (Note 16)	**9,259**	63,427	**58,004**	115,909
Financial expenses (Note 16)	**(40,739)**	(53,584)	**(138,525)**	(171,712)
Write-off of exploration and evaluation assets (Note 9)	**(265,205)**	-	**(265,205)**	(38,646)
Foreign exchange gain (loss)	**(17,002)**	(70,895)	**(79,036)**	(101,618)
Income (loss) before income taxes	**2,023,308**	3,480,415	**4,915,439**	6,586,500
Income taxes (Note 16)	**(774,105)**	(1,179,874)	**(1,965,885)**	(2,349,225)
Net income (loss) and comprehensive income (loss)	**1,249,203**	2,300,541	**2,949,554**	4,237,275
Weighted average number of outstanding common shares (Note 15)				
Basic	**38,897,338**	39,029,571	**38,824,218**	39,179,743
Diluted	**39,480,321**	39,513,708	**39,381,615**	39,519,474
Earnings (loss) per share (Note 15)				
Basic	**$0.03**	$0.06	**$0.07**	$0.11
Diluted	**$0.03**	$0.06	**$0.07**	$0.11

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 nine-month periods ended September 30, 2020 and 2019
(Expressed in US dollars)

	Share Capital $	Contributed surplus $	Retained earnings $	Total equity $
Balance, January 1, 2020	**20,631,364**	**3,545,284**	**35,775,203**	**59,951,851**
Net income and comprehensive income for the period	-	-	2,949,554	2,949,554
	20,631,364	3,545,284	38,724,757	62,901,405
Share-based compensation expense (Note 14 b))	-	57,077	-	57,077
Exercise of stock options (Note 14 a) i))	387,703	(181,166)	-	206,537
Deferred share units expense (Note 14 c))	-	60,415	-	60,415
Settlement of deferred share units (Note 14 a) ii)	72,734	(72,734)	-	-
Dividends (Note 14 d))	-	-	(1,275,758)	(1,275,758)
Transactions with owners	460,437	(136,408)	(1,275,758)	(951,729)
Balance, September 30, 2020	**21,091,801**	**3,408,876**	**37,448,999**	**61,949,676**

	Share Capital $	Contributed surplus $	Retained earnings $	Total equity $
Balance, January 1, 2019	**20,958,860**	**3,333,246**	**32,593,929**	**56,886,035**
Net income and comprehensive income for the period	-	-	4,237,275	4,237,275
	20,958,860	3,333,246	36,831,204	61,123,310
Share-based compensation expense (Note 14 b))	-	123,062	-	123,062
Share-based compensation capitalized to exploration and evaluation assets (Note 14 b))	-	1,774	-	1,774
Exercise of stock options (Note 14 a) i))	122,666	(53,072)	-	69,594
Deferred share units expense (Note 14 c))	-	61,676	-	61,676
Repurchase of common shares (Note 14 a) iii))	(385,137)	-	(577,120)	(962,257)
Dividends (Note 14 d))	-	-	(886,492)	(886,492)
Transactions with owners	(262,471)	133,440	(1,463,612)	(1,592,643)
Balance, September 30, 2019	**20,696,389**	**3,466,686**	**35,367,592**	**59,530,667**

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

Dynacor Gold Mines Inc.
Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
For the three-month and nine-month periods ended September 30, 2020 and 2019
(Expressed in US dollars)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Operating activities				
Net income	**1,249,203**	2,300,541	**2,949,554**	4,237,275
Adjustments for:				
Provision for impairment of accounts receivable (Note 16)	**4,444**	21,447	**73,828**	100,107
Depreciation (Note 16)	**632,683**	637,953	**1,871,797**	1,899,042
Loss (gain) on disposal of property, plant and equipment and of right-of-use assets	**(14,961)**	(21,458)	**(30,826)**	(29,369)
Write-off of exploration and evaluation assets (Note 9)	**265,205**	-	**265,205**	38,646
Deferred tax (recovery) expense	**47**	(27,709)	**47,725**	24,757
Interest on bank loan	**-**	-	**14,770**	-
Accretion expense on asset retirement obligations (Note 13)	**2,500**	2,337	**7,500**	7,011
Share-based compensation (Note 14 b))	**25,032**	15,609	**57,077**	123,062
Deferred share unit expense (Note 14 c))	**-**	-	**60,415**	61,676
Unrealized foreign exchange (gain) loss	**104,291**	54,805	**146,332**	11,289
	2,268,444	2,983,525	**5,463,377**	6,473,496
Change in working capital items (Note 17)	**(5,616,509)**	(3,207,631)	**9,270,174**	(4,856,675)
Net cash from operating activities	**(3,348,065)**	(224,106)	**14,733,551**	1,616,821
Investing activities				
Proceeds from disposal of property, plant and equipment and equipment and right-of-use assets	**23,400**	39,085	**88,664**	57,729
Acquisition of property, plant and equipment (Note 8)	**(312,580)**	(111,802)	**(331,764)**	(979,271)
Additions to exploration and evaluation assets	**(11,445)**	13,053	**(39,832)**	(145,509)
Net cash used in investing activities	**(300,625)**	(59,664)	**(282,932)**	(1,067,051)
Financing activities				
Interest paid on bank loan (Note 16)	**-**	-	**(14,770)**	-
Bank loan (Note 11)	**-**	-	**(3,000,000)**	-
Repayment of lease liabilities and interests' payments (Note 12)	**(149,018)**	(177,873)	**(490,298)**	(506,899)
Payment on asset retirement obligations (Note 13)	**-**	(16,857)	**-**	(17,985)
Proceeds from the exercise of stock options (Note 14 a) i))	**206,537**	-	**206,537**	69,594
Repurchase of common shares (Note 14 a) ii))	**-**	(232,802)	**-**	(962,257)
Dividends (Note 14 d))	**(426,922)**	(298,878)	**(1,285,014)**	(883,462)
Net cash (used in) from financing activities	**(369,403)**	(726,410)	**(4,583,545)**	(2,301,009)
Change in cash during the period	**(4,018,093)**	(1,010,180)	**9,867,074**	(1,751,239)
Effect of exchange rate changes on cash	**(4,023)**	(10,638)	**(37,037)**	14,826
Cash, beginning of the period	**20,595,374**	13,213,385	**6,743,221**	13,928,980
Cash, end of the period	**16,573,258**	12,192,567	**16,573,258**	12,192,567
Income taxes paid related to operating activities	**388,414**	726,905	**1,578,802**	1,981,911

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 holds 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 December 2019, the Peruvian authorities retained one of our shipment containing 2,650 ounces of gold. Following this export retention, the Corporation temporarily stopped exporting gold. However, it continued purchasing and processing ore at record levels and consequently increased its ore and gold in process inventory at the end of 2019. In January 2020, exports and sales resumed and year-end accumulated gold in process inventory was poured to gold and sold. Although we are closely following this situation, we cannot predict at this time when this shipment will be released by the authorities and therefore, we have classified them under other non-current assets.

In 2020, the COVID-19 became a worldwide crisis. Following the state of emergency decree in Peru, which was declared on March 16, 2020, the Corporation had to temporarily stop its ore purchase and process operations. On June 6, 2020, the Corporation successfully resumed its operations upon approval of its health and safety protocol plan from the Peruvian Ministry of Health. The Corporation achieved to gradually increase its monthly ore purchase and processing volume. Since mid-September, the Corporation is operating at its full production capacity of 300 tonnes per day (“tpd”) and has sustained and even increased its ore purchase volume.

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 establishes 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.

However, 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 the 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, 2019.

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 November 12, 2020.

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 and its subsidiary. Dynacor controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. 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 subsidiary listed below:

	Country of incorporation	Equity Interest
Minera Veta Dorada SAC	Peru	100%

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 except as noted below.

Impairment of property, plant and equipment and right-of-use assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases. In assessing impairment, management estimates the recoverable amount of each cash-generating asset based on discounted future cash flows. As of September 30, 2020, management assessed that the current COVID-19 crisis was an impairment indicator with regards to its property, plant and equipment and right-of-use assets. However, there was no impairment recorded in the current reporting period following an impairment test.

(Expressed in US dollars)

5. Cash

	As at September 30, 2020 $	As at December 31, 2019 $
Cash (equivalent in USD)		
United States dollars (1)	**16,074,669**	6,120,224
Peruvian Nuevo soles	**354,341**	63,485
Canadian dollars	**144,248**	559,512
	16,573,258	6,743,221

(1) As at September 30, 2020 and December 31, 2019, $187,887 has been given as collateral against stand-by letters of credit totaling $187,887.

6. Accounts receivable

	As at September 30, 2020 $	As at December 31, 2019 $
Sales tax receivable (1)	**3,368,969**	4,020,838
Trade and other receivables (2)	**2,866,618**	77,761
Advances to suppliers	**433,170**	630,143
	6,668,757	4,728,742

(1) Subsequent to period end, all previous months filing claims were recovered for an amount of $1.8 million.

(2) Subsequent to period end, $2.7 million were recovered.

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 September 30, 2020 $	As at December 31, 2019 $
Ore	**2,513,275**	4,546,978
Gold in process	**4,451,892**	13,484,797
Finished goods-Gold dore bars (1)	**3,443,120**	3,443,120
Supplies	**299,292**	269,310
	10,707,579	21,744,205
Less: long term portion – other assets	**(3,443,120)**	(3,443,120)
	7,264,459	18,301,085

No inventories are carried at fair value less cost to sell at September 30, 2020 and December 31, 2019.

(1) Included in finished goods-Gold dore bars is the December 2019 shipment retained by the Peruvian authorities (Note 1). We cannot predict at this time when this shipment will be released by the authorities and therefore, we have classified them under other non-current assets.

(Expressed in US dollars)

8. Property, plant and equipment

	Land $	Buildings $	Plant & equipment $	Rolling stock $	Total $
Cost					
Balance, January 1, 2020	647,334	4,745,443	21,340,063	2,156,018	28,888,858
Additions	-	1,707	98,943	231,114	331,764
Reclassification from right-of-use assets	-	-	-	252,901	252,901
Disposals	(374)	-	(206,284)	(164,264)	(370,922)
Balance, September 30, 2020	646,960	4,747,150	21,232,722	2,475,769	29,102,601
Accumulated Depreciation					
Balance, January 1, 2020	-	824,905	5,757,589	1,347,653	7,930,147
Depreciation	-	198,793	1,162,594	224,033	1,585,420
Depreciation capitalized as exploration and evaluation assets	-	744	5,475	-	6,219
Reclassification from right-of-use assets	-	-	-	153,360	153,360
Disposals	-	-	(181,245)	(151,015)	(332,260)
Balance, September 30, 2020	-	1,024,442	6,744,413	1,574,031	9,342,886
Net book value, September 30, 2020	**646,960**	**3,722,708**	**14,488,309**	**901,738**	**19,759,715**

	Land $	Buildings $	Plant & equipment $	Rolling stock $	Total $
Cost					
Balance, January 1, 2019	367,138	4,697,378	21,093,439	2,516,024	28,673,979
Reclassification to right-of-use assets	-	-	-	(1,240,824)	(1,240,824)
Additions	280,196	48,065	338,284	621,090	1,287,635
Reclassification from right-of-use assets	-	-	-	377,085	377,085
Disposals	-	-	(91,660)	(117,357)	(209,017)
Balance, December 31, 2019	647,334	4,745,443	21,340,063	2,156,018	28,888,858
Accumulated Depreciation					
Balance, January 1, 2019	-	564,841	4,177,669	1,319,260	6,061,770
Reclassification to right-of-use assets				(321,790)	(321,790)
Depreciation	-	260,064	1,642,215	217,107	2,119,386
Depreciation capitalized as exploration and evaluation assets	-	-	28,493	3,304	31,797
Reclassification from right-of-use assets	-	-	-	228,563	228,563
Disposals	-	-	(90,788)	(98,791)	(189,579)
Balance, December 31, 2019	-	824,905	5,757,589	1,347,653	7,930,147
Net book value, December 31, 2019	**647,334**	**3,920,538**	**15,582,474**	**808,365**	**20,958,711**

(Expressed in US dollars)

9. Exploration and evaluation assets

	Exploration properties			
	Tumipampa $	Anta $	Others $	Total $
Mining rights				
Balance, January 1, 2020	1,306,960	192,084	22,646	1,521,690
Additions	-	-	2,186	2,186
Write-off	(1,464)	(11,891)	-	(13,355)
Balance, September 30, 2020	**1,305,496**	**180,193**	**24,832**	**1,510,521**
Deferred exploration and evaluation costs				
Balance, January 1, 2020	16,909,509	306,983	-	17,216,492
Additions (1)	47,990	-	-	47,990
Write-off	(251,850)	-	-	(251,850)
Balance, September 30, 2020	16,705,649	306,983	-	17,012,632
TOTAL	**18,011,145**	**487,176**	**24,832**	**18,523,153**

(1) Net of royalty income derived from the Tumipampa property of $31,028.

	Exploration properties			
	Tumipampa $	Anta $	Others $	Total $
Mining rights				
Balance, January 1, 2019	1,340,773	192,084	27,479	1,560,336
Write-off	(33,813)	-	(4,833)	(38,646)
Balance, December 31, 2019	**1,306,960**	**192,084**	**22,646**	**1,521,690**
Deferred exploration and evaluation costs				
Balance, January 1, 2019	16,669,366	306,718	-	16,976,084
Additions	240,143	265	-	240,408
Balance, December 31, 2019	16,909,509	306,983	-	17,216,492
TOTAL	**18,216,469**	**499,067**	**22,646**	**18,738,182**

Tumipampa property ("Tumipampa")

Tumipampa is 500 km from Lima, Peru, in the Circa district, Province of Abancay, department of Apurimac. The Tumipampa project covers an area of 6,932 hectares.

Except for annual renewal rights, as of April 1, 2020, the Corporation has temporarily ceased to capitalize its exploration and evaluation related expenses since it will begin its planned drilling exploration program at Tumipampa upon agreement with local communities.

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.

In 2020, two concessions at Tumipampa and one at Anta were not renewed at expiry date. Consequently, an aggregate amount of $265,205 was written-off (three concessions and aggregate amount of $38,646 in 2019).

(Expressed in US dollars)

10. Trade and other payables

	As at September 30, 2020 $	As at December 31, 2019 $
Accounts payable and accrued liabilities (1)	**5,543,065**	4,973,989
Accrued profit sharing (2)	**545,103**	858,706
Wages and benefits	**544,759**	511,456
	6,632,927	6,344,151

(1) Including $438,737 of dividends paid in October 2020 ($447,993 as at December 31, 2019 of dividends paid in January 2020).

(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. Bank loan

On December 19, 2019, the Corporation entered into a non-secured short-term bank loan agreement in the amount $3,000,000, bearing interest at an annual rate of 3.75% and maturing on February 18, 2020, at which date it was fully reimbursed.

12. 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 17 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 $	Rolling Stock $	Total $
Costs				
Balance, January 1, 2020	260,643	782,014	1,040,964	2,083,621
Additions	-	22,284	-	22,284
Reclassification to Property, plant and equipment	-	-	(252,901)	(252,901)
Disposals and cancellations	-	(58,553)	(29,795)	(88,348)
Balance, September 30, 2020	260,643	745,745	758,268	1,764,656
Accumulated Depreciation				
Balance, January 1, 2020	15,110	156,348	351,489	522,947
Depreciation	11,331	133,974	141,072	286,377
Depreciation capitalized as exploration and evaluation assets	-	-	4,125	4,125
Reclassification to Property, plant and equipment	-	-	(153,360)	(153,360)
Disposals and cancellations	-	(8,134)	(9,931)	(18,065)
Balance, September 30, 2020	26,441	282,188	333,395	642,024
Net book value, September 30, 2020	**234,202**	**463,557**	**424,873**	**1,122,632**

(Expressed in US dollars)

12. Leases (continued)

Right-of-use assets (continued)

	Land $	Building $	Rolling Stock $	Total $
Costs				
Adjustment on adoption to IFRS 16	260,643	595,601	-	856,244
Reclassification from Property, plant and equipment	-	-	1,240,824	1,240,824
Additions	-	186,413	212,378	398,791
Reclassification to Property, plant and equipment	-	-	(377,085)	(377,085)
Disposals	-	-	(35,153)	(35,153)
Balance, December 31, 2019	260,643	782,014	1,040,964	2,083,621
Accumulated Depreciation				
Reclassification from Property, plant and equipment	-	-	321,790	321,790
Depreciation	15,110	156,348	260,157	431,615
Depreciation capitalized as exploration and evaluation assets	-	-	16,501	16,501
Reclassification to Property, plant and equipment	-	-	(228,563)	(228,563)
Disposals	-	-	(18,396)	(18,396)
Balance, December 31, 2019	15,110	156,348	351,489	522,947
Net book value, December 31, 2019	**245,533**	**625,666**	**689,475**	**1,560,674**

Lease liabilities

	As at September 30, 2020 $	As at December 31, 2019 $
Balance, beginning of the period	**1,329,181**	747,689
Adoption of IFRS 16	**-**	856,244
New leases and changes in leases	**22,284**	398,791
Cancellation of right of use assets	**(51,107)**	-
Repayment of lease liabilities and interests' payments	**(490,298)**	(673,543)
Balance, end of the period	**810,060**	1,329,181

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

	As at September 30, 2020 $	As at December 31, 2019 $
Within one year	**317,801**	641,642
1 to 2 years	**222,965**	279,301
2 to 5 years	**191,668**	357,030
After 5 years	**226,941**	258,610
Total	**959,375**	1,536,583
Less: implicit interest from 5.00% to 6.70% (2019 – 5.00% to 6.70%)	**(149,315)**	(207,402)
	810,060	1,329,181
Less: current portion	**(380,072)**	(572,316)
	429,988	756,865

(Expressed in US dollars)

12. 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 September 30, 2020, 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 $23,000 for the three-month period ended September 30, 2020 and to $70,000 for the nine-month period ended September 30, 2020 ($29,400 for the three-month period ended September 30, 2019 and to $88,100 for the nine-month period ended September 30, 2019) and relates to short term leases.

The Corporation has short-term lease agreements (less than 12 months). As at September 30, 2020, future minimum lease payments required to meet obligations total $68,000 ($30,000 as at December 31, 2019).

13. Asset retirement obligations

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

	As at September 30, 2020 $	**As at December 31, 2019 $**
Balance, beginning of the period	**3,769,373**	3,778,010
Disbursement	**-**	(17,985)
Accretion of discounted cash flows	**7,500**	9,348
Balance, end of the period	**3,776,873**	3,769,373

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 2020 and 2038 for the Veta Dorada Plant and Tumipampa. 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 September 30, 2020, the future value of the provision for closure of facilities and exploration projects is $5.9 million ($5.9 million as at December 31, 2019) which has been discounted using annual risk-free rates up 2.8% in periods of up to 19 years.

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

	As at September 30, 2020 $	**As at December 31, 2019 $**
Veta Dorada Plant	**3,499,604**	3,492,104
Tumipampa	**277,269**	277,269
Balance, end of the period	**3,776,873**	3,769,373

(Expressed in US dollars)

13. Asset retirement obligations (continued)

The Corporation believes that this liability is sufficient to meet the current environmental protection laws approved by the MEM. As of September 30, 2020, the Corporation has constituted letters of credit in favor of the MEM for $1,632,000 ($1,426,000 as at December 31, 2019) to secure closure plans of its production facilities and exploration projects.

14. 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 nine-month periods ended September 30, 2020 and 2019, are as follows:

	2020		**2019**	
	Numbers of common shares	**Amount $**	**Numbers of common shares**	**Amount $**
Balance beginning of year	**38,787,256**	**20,631,364**	39,524,977	20,958,860
Exercise of share purchase options i)	**175,000**	**387,703**	110,000	122,666
Settlement of deferred share units ii)	**53,183**	**72,734**	-	-
Repurchase of common shares iii)	**-**	**-**	(725,473)	(385,137)
Balance, end of period	**39,015,439**	**21,091,801**	38,909,504	20,696,389

i) During the nine-month period ended September 30, 2020, 175,000 share purchase options were exercised for a cash consideration of $206,537 under the share purchase plan. Upon exercise, an amount of $181,166, which had been attributed to those share purchase options, was reclassified from contributed surplus to share capital.

During the nine-month period ended September 30, 2019, 110,000 share purchase options were exercised for a cash consideration of $69,594 under the share purchase plan. Upon exercise, an amount of $53,072, which had been attributed to those share purchase options, was reclassified from contributed surplus to share capital.

ii) During the nine-month period ended September 30, 2020, a total of 53,183 DSUs were settled upon departure of a director of the Corporation (none in 2019). Upon settlement, an amount of $72,734, which had been attributed to these DSUs was reclassified from contributed surplus to share capital.

iii) In April 2018, the Corporation announced the implementation of a normal course issuer bid share buyback program, through which the Corporation may purchase, for cancellation, up to 1,982,717 or approximately 5% of its outstanding common shares as of April 10, 2018, over the 12 month period beginning April 23, 2018 and ending April 22, 2019, when the bid expires, with a daily maximum of 12,692 common shares which is equal to 25% of the average daily trading volume on the TSX for the nine month period ended March 31, 2018 except where purchases are made in accordance with the "block purchase exception" of the TSX rules.

In April 17, 2019, the Toronto Stock Exchange (TSX) has approved the new NCIB, under which Dynacor may purchase, for cancellation, with a daily maximum of 6,387 shares, up to 3,273,485 common shares or approximately 10% of its public float until April 16, 2020.

In April 2020, the Toronto Stock Exchange (TSX) has approved the new NCIB, 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.

(Expressed in US dollars)

14. Share capital (continued)

a) Shares authorized (continued)

In 2020, as at September 30, 2020, the Corporation did not repurchase common shares. Subsequent to September 30, 2020, the Corporation has repurchased 149,185 common shares for a total cash consideration of $207,474 (CA$ 273,730), an average repurchase cost of $1.39 (CA$1,83) per share.

For the nine-month period ending September 30, 2019, the Corporation has repurchased 725,473 common shares for a total cash consideration of $962,257 (CA$ 1,278,510), an average repurchase cost of $1.33 (CA$1.76) per share. Total cash consideration paid exceeded by $577,120 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.

As at September 30, 2020 and since April 23, 2018, the Corporation has repurchased 1,294,088 common shares for a total cash consideration of $1,679,467 (CA$ 2,216,174), an average repurchase cost of $1.30 (CA$1,71) per share.

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 20, 2017 annual meeting of shareholders, the shareholders approved a Board resolution authorizing an amendment to the Plan allowing the replenishment of 920,000 options previously issued under the Plan and that have already been exercised by their holders. This replenishment of options will allow the Corporation to issue additional options without having to increase the total amount of shares issuable under the Plan, which is 3,500,000 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 nine-month periods ended September 30, 2020 and 2019, are as follows:

	2020		**2019**	
	Numbers of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		CA$		**CA$**
Balance, beginning of period	**1,252,500**	**1.92**	1,217,500	1.85
Granted	**25,000**	**2.32**	327,500	1.75
Exercised	**(175,000)**	**1.56**	(110,000)	0.85
Cancelled	**(32,500)**	**1.60**	(182,500)	1.45
Balance, end of period	**1,070,000**	**2.00**	1,252,500	1.92
Exercisable options	888,500	2.02	984,000	1.75

The weighted average share price for the share purchase options exercised during the nine-month period ended September 30, 2020, at the date of the exercise is CA$2.13 (CA$1.74 for the nine-month period ended September 30, 2019).

During the nine-month period ended September 30, 2020, 25,000 share purchase options were granted with a grant date fair value of $0.88 per share purchase option (327,500 with a grant date fair value of $0.76 per share purchase option during the nine-month period ended September 30, 2019). The table below shows the assumptions, or weighted average parameters, applied to the Black-Scholes option pricing model to determine share-based compensation costs over the life of the awards for share purchase options granted during this period.

(Expressed in US dollars)

14. Share capital (continued)

b) Share purchase options (continued)

	2020	2019
Risk-free interest rate	0.40%	1.50%
Expected volatility	50.00%	55.00%
Expected life	84 months	84 months
Exercise price	CA$2.32	CA$1.75
Share price	CA$2.32	CA$1.75
Dividend yield	2.59%	2.50%
Forfeiture rate	0.00%	1.00%

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

For the three-month period ended September 30, 2020, the share-based compensation costs amounted to $25,032 and was charged to the consolidated statement of comprehensive income ($15,609 for the three-month period ended September 30, 2019).

For the nine-month period ended September 30, 2020, the share-based compensation costs amounted to $57,077 and was charged to the consolidated statement of comprehensive income ($124,836 for the nine-month period ended September 30, 2019 of which $1,774 was capitalized to exploration and evaluation assets).

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. The number of shares that are reserved for issuance under the DSU Plan is limited to 500,000. DSUs can only be settled following departure from the Corporation in accordance with the terms of the DSU Plan.

	2020		2019	
	Numbers of DSUs	**Cost $**	**Numbers of DSUs**	**Cost $**
Balance, beginning of period	**365,506**	**493,770**	270,094	372,034
Granted	**47,340**	**60,415**	47,340	61,676
Settled	**(53,183)**	**(72,734)**	-	-
Balance, beginning and end of period	**359,663**	**481,451**	317,434	433,710

For the three-month periods ended September 30, 2020 and 2019, the Corporation has not recorded any compensation costs relating to DSU's in the condensed interim consolidated statement of comprehensive income.

The share compensation expense related to DSUs amounted to $60,415 during the nine-month periods ended September 30, 2020 ($61,676 for the nine-month periods ended September 30, 2019).

(Expressed in US dollars)

14. Share capital (continued)

d) Dividends

The following dividends were declared by the Corporation:
- September 9, 2020 - CA$0.015 per qualifying common share resulting in a total dividend amounting to $438,737 (CA$585,232) paid on October 5, 2020.
- June 9, 2020 - CA$0.015 per qualifying common share resulting in a total dividend amounting to $426,922 (CA$581,809) paid on July 3, 2020.
- March 4, 2020 - CA$0.015 per qualifying common share resulting in a total dividend amounting to $410,099 (CA$581,807) paid on April 2, 2020.
- November 28, 2019 - CA$0.015 per qualifying common share resulting in a total dividend amounting to $447,993 (CA$581,854) paid on January 6, 2020.
- September 5, 2019 - CA$0.01 per qualifying common share resulting in a total dividend amounting to $294,184 (CA$389,588) paid on October 3, 2019.
- June 5, 2019 - CA$0.01 per qualifying common share resulting in a total dividend amounting to $298,878 (CA$391,140) paid on July 3, 2019.
- March 12, 2019 - CA$0.01 per qualifying common share resulting in a total dividend amounting to $293,430 (CA$392,111) paid on April 3, 2019.
- November 29, 2018 - CA$0.01 per qualifying common share resulting in a total dividend amounting to $291,154 (CA$397,194) paid on January 3, 2019.

15. 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 and nine-month periods ended September 30, 2020 and 2019.

	Three-month ended September 30,		**Nine-month ended September 30,**	
	2020	**2019**	**2020**	**2019**
Net income for the period	**1,249,203**	2,300,541	**2,949,554**	4,237,275
Weighted average number of common shares outstanding	**38,897,338**	39,029,571	**38,824,218**	39,179,743
Dilutive share options	**582,983**	484,137	**557,397**	339,731
Weighted average number of outstanding shares for diluted earnings per share	**39,480,321**	39,513,708	**39,381,615**	39,519,474
Basic earnings per share	**$0.03**	$0.06	**$0.07**	$0.11
Diluted earnings per shares (1)	**$0.03**	$0.06	**$0.07**	$0.11

(1) For the three-month period ended September 30, 2020, 515,000 share purchase options are excluded from diluted earnings per share since their exercise price are higher than the average share price for Dynacor shares during this period (515,000 for the three-month period ended September 30, 2019).

For the nine-month period ended September 30, 2020, 590,000 share purchase options are excluded from diluted earnings per share since their exercise price are higher than the average share price for Dynacor shares during this period (710,000 for the nine-month period ended September 30, 2019).

(Expressed in US dollars)

16. Information included in the consolidated statements of comprehensive income

The following table provides a breakdown of employee remuneration:

	Three-month ended September 30		Nine-month ended September 30	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Salaries and short-term employee benefits				
Cost of Sales	**743,288**	1,017,327	**2,220,105**	2,788,225
General and administration expenses	**473,026**	537,569	**1,432,465**	1,685,712
Capitalized in exploration and evaluation assets	**-**	22,491	**28,449**	147,205
Salaries and short-term employee benefits	**1,216,314**	1,577,387	**3,681,019**	4,621,142
Share-based compensation and DSU expense				
General and administration expenses	**25,032**	15,609	**117,492**	184,738
Capitalized in exploration and evaluation assets	**-**	-	**-**	1,774
Share based compensation and DSU expense	**25,032**	15,609	**117,492**	186,512
Total employee remuneration	**1,241,346**	1,592,996	**3,798,511**	4,807,654

	Three-month ended September 30,		Nine-month ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Cost of sales (1)				
Ore	**19,531,620**	25,095,894	**37,017,033**	57,867,914
Salaries, benefits and other employee expenses	**812,118**	1,098,491	**2,398,917**	3,035,451
Production supplies	**729,507**	908,984	**1,650,447**	2,519,665
Transportation	**818,198**	959,999	**1,635,003**	2,610,757
Other production costs	**300,259**	453,608	**831,579**	1,258,874
Provision for impairment of accounts receivable	**4,444**	21,447	**73,828**	100,107
Depreciation of property, plant and equipment and of right-of-use assets	**552,812**	576,374	**1,641,051**	1,728,974
Peruvian profit-sharing expense	**190,369**	284,358	**448,875**	519,965
Variation of finished goods – Gold dore bars	**1,323,354**	-	**-**	-
Variation of gold in process inventory	**(3,428,349)**	(346,171)	**9,032,905**	(320,646)
	20,834,332	29,052,984	**54,729,638**	69,321,061

(1) During the nine-month period ending September 30, 2020, in accordance with the sanitary emergency prescriptions from the Peruvian authorities, operations were temporarily stopped at the Chala plant from March 15 till June 6. During this period, the Corporation continued to bear fixed charges notably salaries, benefits and other expenses amounting to approximately $0.5 million.

(Expressed in US dollars)

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

	Three-month ended September 30,		Nine-month ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
General and administrative expenses				
Salaries, benefits and other employee expenses	**473,026**	537,569	**1,432,465**	1,685,712
Office and other expenses	**243,398**	186,277	**569,753**	551,869
Professional fees	**79,038**	83,503	**330,838**	228,781
Promotion and corporate development	**31,009**	15,856	**124,593**	164,886
Travel expenses	**21,628**	53,184	**64,054**	135,606
Peruvian profit-sharing expense	**41,592**	81,861	**112,219**	129,015
	889,691	958,250	**2,633,922**	2,895,869
Share-based remuneration:				
Options	**25,032**	15,609	**57,077**	123,062
DSUs	**-**	-	**60,415**	61,676
	914,723	973,859	**2,751,414**	3,080,607

	Three-month ended September 30,		Nine-month ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Financial incomes				
Interests and other financial incomes	**9,259**	63,427	**58,004**	115,909
Financial expenses				
Interest on bank loan	**-**	-	**14,770**	-
Interest on lease liabilities	**13,867**	22,314	**48,057**	72,307
Other interest and financial expenses	**24,372**	28,933	**68,198**	92,394
Accretion expense on asset retirement obligation	**2,500**	2,337	**7,500**	7,011
	40,739	53,584	**138,525**	171,712

	Three-month ended September 30,		Nine-month ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Depreciation				
Depreciation of property, plant and equipment	**513,882**	511,884	**1,503,913**	1,526,489
Depreciation of right-of-use assets	**38,930**	64,490	**137,138**	202,485
Depreciation included in costs of sales	**552,812**	576,374	**1,641,051**	1,728,974
Depreciation of property, plant and equipment	**27,634**	18,415	**81,507**	43,744
Depreciation of right-of-use assets	**52,237**	43,164	**149,239**	126,324
Depreciation included in general and administration expenses	**79,871**	61,579	**230,746**	170,068
	632,683	637,953	**1,871,797**	1,899,042

(Expressed in US dollars)

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

Income taxes

For the three-month period ended September 30, 2020, the current income tax charge amounts to $771,507 ($1,204,547 for the three-month period ended September 30, 2019) and the deferred income tax charge amounts to $2,598 (($24,673) for the three-month period ended September 30, 2019) and relates to origination and reversal of temporary differences mainly relating to fixed assets and exploration expenses.

For the three-month period ended September 30, 2020, the income tax charge comprises $169,638 ($211,086 for the three-month period ended September 30, 2019) of unused tax losses for which no deferred taxes were recognized.

For the nine-month period ended September 30, 2020, the current income tax charge amounts to $1,908,392 ($2,324,006 for the three-month period ended September 30, 2019) and the deferred income tax charge amounts to $57,493 ($25,219 for the nine-month period ended September 30, 2019) and relates to origination and reversal of temporary differences mainly relating to fixed assets and exploration expenses.

For the nine-month period ended September 30, 2020, the income tax charge comprises $592,421 ($795,032 for the nine-month period ended September 30, 2019) of unused tax losses for which no deferred taxes were recognized.

17. Information included in the statements of cash flows

	Three-month ended September 30,		Nine-month ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
Changes in working capital items				
Accounts receivable	**(5,652,578)**	(3,214,344)	**(2,314,132)**	(4,190,871)
Current tax assets	**375,657**	476,403	**185,631**	265,827
Inventories	**(2,623,699)**	(1,582,314)	**11,036,626**	(1,845,471)
Prepaid expenses	**(27,080)**	76,721	**(136,745)**	(74,360)
Trade and other payables	**2,311,191**	1,035,903	**498,794**	988,200
	(5,616,509)	(3,207,631)	**9,270,174**	(4,856,675)

18. 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 attributed to key management personnel can be summarized as follows:

	Three-month ended September 30,		Nine-month ended September 30,	
	2020	2019	2020	2019
	$	$	$	$
Salaries, benefits and directors' fees	**172,332**	219,111	**552,686**	730,412
Share-based compensation (1)	**-**	-	**60,415**	65,535
	172,332	219,111	**613,101**	795,947

(1) Represents the value of share purchase options which have vested and DSU granted during the period.

18. Related party transactions and disclosures (continued)

Transactions

In January 2018, a loan of $158,000 ($CA$198,000) bearing interest at 4% was made to the Corporation President and CEO in order for him to exercise 600,000 share purchase options at a price of CA$0.26 which came to maturity. During 2019, the loan and accrued interests were reimbursed.

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 professional fees amounting to $9,083 for the three-month period ended September 30, 2020 ($47,030 for the nine-month period ended September 30, 2020) ($7,356 and $54,718 respectively for the same periods of 2019).

A Director charged consulting fees relating to the revision of health, safety and environmental procedures and amounting to $12,474 for the three-month and nine-month periods ended September 30, 2020 ($15,407 for the same periods of 2019).

In 2019, a Company of which a director is the sole shareholder charged geological professional fees of $8,308 and $24,853 for the three-month and nine-month periods ended September 30, 2020 respectively (nil in 2020).

19. Commitments

The Corporation has contractual commitments with suppliers. As at September 30, 2020, the obligations are $340,000, $140,000 and $80,000 over the next three years.