Dynacor Group Inc.
(formerly Dynacor Gold Mines Inc.)

Condensed Interim Consolidated Financial Statements

As at September 30, 2023 and for
the three-month and nine-month periods ended
September 30, 2023 and 2022
(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 Group Inc. as at September 30, 2023 and for the three-month and nine-month periods ended September 30, 2023 and 2022, have not been reviewed by the Corporation's external auditors.

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

Dynacor Group Inc. (formerly Dynacor Gold Mines Inc.)

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

	As at September 30, 2023 $	As at December 31, 2022 $
ASSETS		
CURRENT ASSETS		
Cash (Note 5)	**33,001,503**	25,595,402
Accounts receivable (Note 6)	**10,789,636**	12,298,031
Inventories (Note 7)	**18,398,833**	16,447,014
Prepaid expenses and other assets	**489,302**	224,475
Current tax asset	**-**	370,512
	62,679,274	54,935,434
NON-CURRENT ASSETS		
Property, plant and equipment (Note 8)	**24,716,225**	21,391,556
Right-of-use assets (Note 11)	**634,864**	700,588
Exploration and evaluation assets (Note 9)	**18,555,090**	18,542,858
Other non-current assets (Note 7)	**-**	1,331,864
	43,906,179	41,966,866
TOTAL ASSETS	**106,585,453**	96,902,300
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables (Note 10)	**10,601,142**	11,168,152
Current tax liabilities	**1,686,382**	-
Current portion of lease liabilities (Note 11)	**66,848**	66,082
	12,354,372	11,234,234
NON-CURRENT LIABILITIES		
Asset retirement obligations (Note 12)	**3,703,436**	3,642,247
Lease liabilities (Note 11)	**586,355**	635,150
Deferred tax liabilities	**899,877**	1,109,907
	5,189,668	5,387,304
TOTAL LIABILITIES	**17,544,040**	16,621,538
SHAREHOLDERS' EQUITY		
Share capital (Note 13 a))	**22,361,630**	22,413,093
Contributed surplus (Notes 13 a), b) and c))	**3,470,169**	3,232,794
Retained earnings	**63,209,614**	54,634,875
TOTAL SHAREHOLDERS' EQUITY	**89,041,413**	80,280,762
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**106,585,453**	96,902,300

Contingencies and other commitments (Note 18).

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

Approved by the Board of Directors,

(s) Jean Martineau
Jean Martineau

(s) Roger Demers FCPA, ASC
Roger Demers FCPA, ASC

Dynacor Group Inc. (formerly Dynacor Gold Mines Inc.)

Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited)
For the three-month and nine-month periods ended September 30, 2023 and 2022
(Expressed in US dollars)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Sales	**63,428,000**	45,997,625	**184,633,616**	150,021,796
Cost of sales (Note 15)	**(56,449,503)**	(41,485,124)	**(162,170,803)**	(131,699,493)
Gross operating margin	**6,978,497**	4,512,501	**22,462,813**	18,322,303
General and administrative expenses (Note 15)	**(1,648,362)**	(1,228,569)	**(5,015,173)**	(4,381,522)
Other projects expenses	**(183,274)**	(104,333)	**(609,061)**	(209,205)
Operating income	**5,146,861**	3,179,599	**16,838,579**	13,731,576
Financial income (Note 15)	**330,212**	132,970	**837,761**	178,281
Financial expenses (Note 15)	**(103,110)**	(68,981)	**(287,788)**	(202,096)
Write-off of exploration and evaluation assets (Note 9)	**-**	-	**(6,934)**	(386)
Foreign exchange gain (loss)	**(167,945)**	(126,960)	**43,298**	(209,640)
Income before income taxes	**5,206,018**	3,116,628	**17,424,916**	13,497,735
Income tax expense				
Current (Note 15)	**(2,337,511)**	(1,983,537)	**(6,144,671)**	(5,307,958)
Deferred (Note 15)	**(324,091)**	(332,165)	**210,030**	312,935
	(2,661,602)	(2,315,702)	**(5,934,641)**	(4,995,023)
Net income and comprehensive income	**2,544,416**	800,926	**11,490,275**	8,502,712
Weighted average number of outstanding common shares (Note 14)				
Basic	**38,340,193**	38,790,831	**38,399,145**	38,722,245
Diluted	**39,234,095**	39,560,838	**39,148,431**	39,731,423
Earnings per share (Note 14)				
Basic	**$0.07**	$0.02	**$0.30**	$0.22
Diluted	**$0.06**	$0.02	**$0.29**	$0.21

Contingencies and other commitments (Note 18)

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

Dynacor Group Inc. (formerly Dynacor Gold Mines Inc.)

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
For the nine-month periods ended September 30, 2023 and 2022
(Expressed in US dollars)

	Share Capital $	Contributed surplus $	Retained earnings $	Total equity $
Balance, January 1, 2023	**22,413,093**	**3,232,794**	**54,634,875**	**80,280,762**
Net income and comprehensive income for the period	-	-	11,490,275	11,490,275
	22,413,093	3,232,794	66,125,150	91,771,037
Share-based compensation expense (Note 13 b))	-	107,735	-	107,735
Exercise of stock options (Note 13 a) i))	69,242	(20,357)	-	48,885
Deferred share units expense (Note 13 c))	-	149,997	-	149,997
Repurchase of common shares (Note 13 a) ii))	(120,705)	-	(351,930)	(472,635)
Dividends (Note 13 d))	-	-	(2,563,606)	(2,563,606)
Transactions with owners	(51,463)	237,375	(2,915,536)	(2,729,624)
Balance, September 30, 2023	**22,361,630**	**3,470,169**	**63,209,614**	**89,041,413**

	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	-	-	8,502,712	8,502,712
	21,511,430	3,477,955	55,521,972	80,511,357
Share-based compensation expense (Note 13 b))	-	57,973	-	57,973
Exercise of stock options (Note 13 a) i))	1,363,749	(490,036)	-	873,713
Deferred share units expense (Note 13 c))	-	92,065	-	92,065
Repurchase of common shares (Note 13 a) ii))	(334,819)	-	(1,068,270)	(1,403,089)
Dividends (Note 13 d))	-	-	(2,247,721)	(2,247,721)
Transactions with owners	1,028,930	(339,998)	(3,315,991)	(2,627,059)
Balance, September 30, 2022	**22,540,360**	**3,137,957**	**52,205,981**	**77,884,298**

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

Dynacor Group Inc. (formerly Dynacor Gold Mines Inc.)

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
For the three-month and nine-month periods ended September 30, 2023 and 2022
(Expressed in US dollars)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Operating activities				
Net income	**2,544,416**	800,926	**11,490,275**	8,502,712
Adjustments for:				
Provision for impairment of accounts receivable (Note 15)	**7,691**	(7,162)	**15,580**	(36,639)
Depreciation (Note 15)	**865,529**	798,887	**2,482,506**	2,268,842
Gain on disposal of property, plant and equipment	**(12,275)**	(27,259)	**(26,125)**	(60,074)
Write-off of exploration and evaluation assets (Note 9)	**-**	-	**6,934**	386
Deferred tax expense (recovery)	**350,473**	391,351	**(219,644)**	(305,031)
Accretion expense on asset retirement obligations (Note 12)	**20,396**	18,437	**61,189**	55,311
Share based compensation (Note 13 b))	**66,530**	13,355	**107,735**	57,973
Deferred share units expense (Note 13 c))	**-**	-	**149,997**	92,065
Unrealized foreign exchange (gain) loss	**96,084**	(30,744)	**86,526**	12,539
	3,938,844	1,957,791	**14,154,973**	10,588,084
Changes in working capital items (Note 16)	**1,078,918**	(2,002,755)	**2,019,053**	(1,051,991)
Net cash from operating activities	**5,017,762**	(44,964)	**16,174,026**	9,536,093
Investing activities				
Proceeds from the disposal of property, plant and equipment	**38,559**	53,728	**102,203**	89,491
Acquisition of property, plant and equipment (Note 8)	**(944,595)**	(792,221)	**(5,817,529)**	(2,575,550)
Additions to exploration and evaluation assets (Note 9)	**(1,781)**	-	**(19,166)**	(22,613)
Net cash used in investing activities	**(907,817)**	(738,493)	**(5,734,492)**	(2,508,672)
Financing activities				
Payment on asset retirement obligations	**-**	(6,822)	**-**	(113,650)
Repayment of lease liabilities and interests' payments (Note 11)	**(25,712)**	(21,674)	**(48,029)**	(104,402)
Proceeds from the exercise of stock options (Note 13 a) i))	**43,972**	28,798	**48,885**	873,713
Repurchase of common shares (Note 13 a) ii))	**(316,265)**	(488,278)	**(472,635)**	(1,403,089)
Dividends	**(864,090)**	(746,869)	**(2,567,753)**	(2,267,299)
Net cash used in financing activities	**(1,162,095)**	(1,234,845)	**(3,039,532)**	(3,014,727)
Change in cash during the period	**2,947,850**	(2,018,302)	**7,400,002**	4,012,694
Effect of exchange rate fluctuation on cash	**(31,288)**	(97,483)	**6,099**	(73,024)
Cash, beginning of the period	**30,084,941**	33,154,637	**25,595,402**	27,099,182
Cash, end of the period	**33,001,503**	31,038,852	**33,001,503**	31,038,852
Income taxes paid related to operating activities	**1,115,549**	2,806,569	**3,995,586**	7,518,727

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

1. Statute of incorporation and nature of activities

On June 22, 2022, Dynacor Gold Mines Inc. changed its name to Dynacor Group 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 one of its subsidiaries (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 in Chala, Peru. 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 December 2019, the Peruvian authorities retained a gold shipment. 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 in December 2019. The remaining portion was released by the authorities and immediately exported in February 2023 (Note 7).

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, 2022.

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 10, 2023.

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 subsidiaries 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 subsidiaries have a year end of December 31.

These condensed interim consolidated financial statements include the financial statements of Dynacor and its wholly owned Peruvian subsidiaries Minera Veta Dorada SAC, La Libertad Mining SAC (since December 2022), African subsidiaries Galam SA (since January 2023) and Massawa SA (since June 2023) 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 September 30, 2023 $	As at December 31, 2022 $
Cash (equivalent in USD)		
United States dollars [1]	**32,423,812**	24,717,515
Peruvian Nuevo soles	**189,035**	196,023
Canadian dollars	**367,567**	681,864
CFA francs	**21,089**	-
	33,001,503	25,595,402

(1) As at September 30, 2023 and December 31, 2022, $568,668 has been given as collateral against stand-by letters of credit totaling $568,668.

6. Accounts receivable

	As at September 30, 2023 $	As at December 31, 2022 $
Sales tax receivable [1]	**6,475,419**	5,836,475
Trade and other receivables [2]	**3,622,663**	6,283,146
Advances to suppliers	**691,554**	178,410
	10,789,636	12,298,031

(1) Subsequent to period end, an amount of $3.1 million was recovered from previous months filing claims.

(2) $3.5 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. Economic dependence is mitigated as the Corporation can sell its gold to numerous clients worldwide.

7. Inventories

	As at September 30, 2023 $	As at December 31, 2022 $
Ore	**8,691,109**	9,363,483
Gold in process	**9,002,453**	6,474,160
Finished goods-Gold dore bars [1]	**-**	1,331,864
Supplies	**705,271**	609,371
	18,398,833	17,778,878
Less: long term portion – other assets	**-**	(1,331,864)
	18,398,833	16,447,014

No inventories are carried at fair value less cost to sell at September 30, 2023 and December 31, 2022.

(1) As at December 31, 2022, the release of the shipment by the authorities remained unpredictable and therefore, this retained portion was still classified under other non-current assets (Note 1).

(Expressed in US dollars)

8. Property, plant and equipment

	Land $	Buildings $	Plant & equipment $	Rolling stock $	Total $
Cost					
Balance, January 1, 2023	998,011	5,081,099	26,396,280	3,881,156	36,356,546
Additions	295,677	2,907,147	1,896,418	718,287	5,817,529
Disposals	-	(10,580)	(160,326)	(518,286)	(689,192)
Balance, September 30, 2023	1,293,688	7,977,666	28,132,372	4,081,157	41,484,883
Accumulated Depreciation					
Balance, January 1, 2023	-	1,637,956	11,079,112	2,247,922	14,964,990
Depreciation	-	272,179	1,704,746	439,857	2,416,782
Disposals	-	(14,446)	(118,726)	(479,942)	(613,114)
Balance, September 30, 2023	-	1,895,689	12,665,132	2,207,837	16,768,658
Net book value, September 30, 2023	**1,293,688**	**6,081,977**	**15,467,240**	**1,873,320**	**24,716,225**

	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	-	199,123	2,817,195	780,446	3,796,764
Disposals	-	-	(79,200)	(291,978)	(371,178)
Balance, December 31, 2022	998,011	5,081,099	26,396,280	3,881,156	36,356,546
Accumulated Depreciation					
Balance, January 1, 2022	-	1,382,138	8,821,168	1,968,562	12,171,868
Depreciation	-	255,818	2,296,675	542,390	3,094,883
Disposals	-	-	(38,731)	(263,030)	(301,761)
Balance, December 31, 2022	-	1,637,956	11,079,112	2,247,922	14,964,990
Net book value, December 31, 2022	**998,011**	**3,443,143**	**15,317,168**	**1,633,234**	**21,391,556**

(Expressed in US dollars)

9. Exploration and evaluation assets

	Exploration properties			
	Tumipampa $	Anta $	Others $	Total $
Mining rights				
Balance, January 1, 2023	1,305,496	184,992	27,165	1,517,653
Additions	-	-	1,781	1,781
Write-off	-	-	(438)	(438)
Balance, September 30, 2023	1,305,496	184,992	28,508	1,518,996
Deferred exploration and evaluation costs				
Balance, January 1, 2023	16,718,222	306,983	-	17,025,205
Additions	17,385	-	-	17,385
Write-off	(6,496)	-	-	(6,496)
Balance, September 30, 2023	16,729,111	306,983	-	17,036,094
TOTAL	**18,034,607**	**491,975**	**28,508**	**18,555,090**

	Exploration properties			
	Tumipampa $	Anta $	Others $	Total $
Mining rights				
Balance, January 1, 2022	1,305,496	180,193	23,065	1,508,754
Additions	-	4,799	4,486	9,285
Write-off	-	-	(386)	(386)
Balance, December 31, 2022	1,305,496	184,992	27,165	1,517,653
Deferred exploration and evaluation costs				
Balance, January 1, 2022	16,700,096	306,983	-	17,007,079
Additions	18,126	-	-	18,126
Balance, December 31, 2022	16,718,222	306,983	-	17,025,205
TOTAL	**18,023,718**	**491,975**	**27,165**	**18,542,858**

Tumipampa property (“Tumipampa”)

Tumipampa is located 500 km from Lima, Peru, in the Circa district, Province of Abancay, department of Apurimac. As at September 30, 2023, the Tumipampa project covers an area of 5,796 hectares.

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 eight concessions that cover an area of 5,600 hectares and is a copper/silver exploration prospect.

In 2023, four concessions were not renewed at expiry date. Consequently, an amount of $6,934 was written-off (one concession of $386 in 2022).

(Expressed in US dollars)

10. Trade and other payables

	As at September 30, 2023 $	As at December 31, 2022 $
Accounts payable and accrued liabilities (1)	**7,502,817**	8,513,579
Accrued profit sharing (2)	**1,692,838**	1,641,642
Wages and benefits payable	**1,405,487**	1,012,931
	10,601,142	11,168,152

(1) Including $279,794 of monthly dividends paid in October 2023 ($283,942 as at December 31, 2022 of dividends paid in January 2023).

(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 13 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, 2023	730,139	606,743	1,336,882
Disposals and cancellations	-	(478,883)	(478,883)
Balance, September 30, 2023	730,139	127,860	857,999
Accumulated Depreciation			
Balance, January 1, 2023	72,173	564,121	636,294
Depreciation	46,543	19,181	65,724
Disposals and cancellations	-	(478,883)	(478,883)
Balance, September 30, 2023	118,716	104,419	223,135
Net book value, September 30, 2023	**611,423**	**23,441**	**634,864**

These right-of-use assets are located in Peru except for $23,441 in Canada ($42,622 as at December 31, 2022).

(Expressed in US dollars)

11. Leases (continued)

Right-of-use assets (continued)

	Land $	Building $	Total $
Costs			
Balance, January 1, 2022	260,643	606,743	867,386
Additions	469,496	-	469,496
Balance, December 31, 2022	730,139	606,743	1,336,882
Accumulated Depreciation			
Balance, January 1, 2022	45,329	481,249	526,578
Depreciation	26,844	82,872	109,716
Balance, December 31, 2022	72,173	564,121	636,294
Net book value, December 31, 2022	**657,966**	**42,622**	**700,588**

Lease liabilities

	As at September 30, 2023 $	As at December 31, 2022 $
Balance, beginning of the period	**701,232**	343,969
New leases and changes in leases	**-**	469,496
Repayment of lease liabilities and interests' payments	**(48,029)**	(112,233)
Balance, end of the period	**653,203**	701,232

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

	As at September 30, 2023 $	As at December 31, 2022 $
Within one year	**106,671**	109,028
1 to 2 years	**83,094**	100,008
3 to 5 years	**255,581**	252,950
After 5 years	**435,444**	499,045
	880,790	961,031
Less: implicit interest from 5.0% to 7.0% (2022 – 5.0% to 7.0%)	**(227,587)**	(259,799)
	653,203	701,232
Less: current portion	**(66,848)**	(66,082)
	586,355	635,150

(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 September 30, 2023, 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 $38,000 for the three-month period ended September 30, 2023 and to $166,500 for the nine-month period ended September 30, 2023 ($71,000 and $125,000 respectively for the same periods of 2022) and relates to short term leases.

The Corporation has short-term lease agreements (less than 12 months). As at September 30, 2023, future minimum lease payments required to meet obligations total $110,000 ($140,000 as at December 31, 2022).

12. Asset retirement obligations

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

	As at September 30, 2023 $	**As at December 31, 2022 $**
Balance, beginning of the period	**3,642,247**	3,552,620
Change in assumptions	**-**	163,919
Disbursement	**-**	(154,091)
Accretion of discounted cash flows	**61,189**	79,799
Balance, end of the period	**3,703,436**	3,642,247

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 2023 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 September 30, 2023 and December 31, 2022, the future value of the provision for closure of facilities and exploration projects is $4.8 million which has been discounted using annual risk-free rates up to 2.24% in periods of up to 16 years.

As of September 30, 2023, and December 31, 2022, the provision for assets retirement obligation fully relates to the Veta Dorada plant.

The Corporation believes that this provision is sufficient to meet the current environmental protection laws approved by the Ministry of Energy and Mines (MEM). As of September 30, 2023, and December 31, 2022, the Corporation has constituted letters of credit in favor of the MEM for $2,319,064 to secure closure plans of its production facilities and exploration projects.

(Expressed in US dollars)

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 nine-month periods ended September 30, 2023 and 2022, are as follows:

	2023		2022	
	Number of common shares	**Amount $**	**Number of common shares**	**Amount $**
Balance beginning of year	**38,457,128**	**22,413,093**	38,757,083	21,511,430
Exercise of share purchase options i)	**37,500**	**69,242**	515,930	1,363,749
Repurchase of common shares ii)	**(207,080)**	**(120,705)**	(589,851)	(334,819)
Balance, end of period	**38,287,548**	**22,361,630**	38,683,162	22,540,360

i) During the nine-month period ended September 30, 2023, a total of 37,500 stock options were exercised (515,930 for the nine-month period ended September 30,2022) under the Plan for a cash consideration of $48,885 (CA$66,000) ($873,713 (CA$1,117,294) for the nine-month period ended September 30,2022). Upon exercise, an amount of $20,357, ($490,036 for the nine-month period ended September 30,2022) which had been attributed to those stock options, was reclassified from contributed surplus to share capital.

ii) In 2023, the TSX has approved the new NCIB, over a period of twelve months commencing on May 5, 2023 and ending May 4, 2024, under which Dynacor may purchase, for cancellation, with a daily maximum of 5,719 shares, up to 3,490,716 common shares or approximately 10% of its public float as of April 26,2023.

In 2022, the TSX had 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.

In 2021, the TSX had 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.

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 nine-month period ending September 30, 2023, the Corporation has repurchased 207,080 common shares for a total cash consideration of $472,635 (CA$632,126), an average repurchase cost of $2.28 (CA$3.05) per share. Total cash consideration paid exceeded by $351,930 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 nine-month period ending September 30, 2022, the Corporation has repurchased 589,851 common shares for a total cash consideration of $1,403,089 (CA$1,806,843), an average repurchase cost of $2.38 (CA$ 3.06) per share. Total cash consideration paid exceeded by $1,068,270 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.

(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. 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. At the June 20, 2023 annual meeting of shareholders, the shareholders approved a Board resolution authorizing an amendment to the Plan introducing a cashless exercise mechanism and a net exercise mechanism for options and to remove a reference to the addition of a cashless exercise feature from the section relating to the procedure of amendment of the Stock Option Plan.

There are 2,750,000 of the Corporation's common shares which may be issued pursuant to the exercise of share options granted under the Plan. Of this number, 1,394,055 shares were issued as at September 30, 2023 (1,366,555 shares as at December 31, 2022) leaving a balance of 1,355,945 shares available to be issued under the Plan (1,383,445 as at December 31, 2022).

Movements in the Corporation's share purchase options during the nine-month periods ended September 30, 2023 and 2022, are as follows:

	2023		**2022**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		CA$		**CA$**
Balance, beginning of period	**758,250**	**1.80**	1,305,406	1.96
Granted	**490,000**	**3.12**	-	-
Exercised	**(37,500)**	**1.76**	(515,930)	2.17
Cancelled	**-**	**-**	(27,695)	2.18
Balance, end of period	**1,210,750**	**2.34**	761,781	1.80
Exercisable options	**706,000**	**2.00**	528,781	1.81

The weighted average share price for the share options exercised during the nine-month period ended September 30, 2023, at the date of the exercise is CA$3.11 (CA$3.13 nine-month period ended September 30, 2022).

During the nine-month period ended September 30, 2023, 325,000 share purchase options were granted (none during the nine-month period ended September 30, 2022) at an exercise price between CA$3.08 and CA$3.14 per option. The aggregate fair value of those options was $205,976 ($0.66 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 nine-month period ended September 30, 2023, 165,000 share purchase options were granted at an exercise price of CA$3.08 per option (none during the nine-month period ended September 30, 2022). The aggregate fair value of those options was $107,535 ($0.65 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.

(Expressed in US dollars)

13. Share capital (continued)

b) Share purchase options (continued)

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 nine-month-period ended September 30, 2023.

	2023
Risk-free interest rate	2.81% to 3.89%
Expected volatility	37.1% to 39.9%
Expected life	60 to 84 months
Exercise price	CA$3.08 to 3.14
Share price	CA$3.08 to 3.14
Dividend yield	3.8% to 3.9%
Forfeiture rate (1)	0.0% to 4.0%

(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.

For the three-month period ended September 30, 2023, the share-based compensation costs amounted to $66,530 and was charged to the consolidated statement of comprehensive income ($13,355 for the three-month period ended September 30, 2022). The offsetting credit has been recorded as contributed surplus.

For the nine-month period ended September 30, 2023, the total share-based compensation costs amounted to $107,735 and was charged to the consolidated statement of comprehensive income ($57,973 for the nine-month period ended September 30, 2022). The offsetting credit has been recorded as contributed surplus.

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 September 30, 2023, 1,000,000 shares are reserved for issuance under the DSU Plan and 172, 510 have already been settled. 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 nine-month periods ended September 30, 2023 and 2022, is provided below.

	2023		**2022**	
	Numbers of DSUs	**Cost $**	**Numbers of DSUs**	**Cost $**
Balance, beginning of period	**501,646**	**806,844**	420,855	631,419
Granted	**66,031**	**149,997**	40,000	92,065
Balance, end of period	**567,677**	**956,841**	460,855	723,484

The Corporation has recorded compensation costs of $149,997 related to DSU's in the consolidated statement of comprehensive income for the nine-month period ended September 30, 2023 ($92,065 for the nine-month period ended September 30, 2022).

(Expressed in US dollars)

13. Share capital (continued)

d) Dividends

The following dividends were declared by the Corporation:
- Nine monthly dividend cumulating CA$0.09 per qualifying common share during the nine-month period ended September 30, 2023 resulting in a total dividend amounting to $2,563,606 (CA$3,454,493).
- Twelve monthly dividend cumulating CA$0.10 per qualifying common share during the year ended December 31, 2022, resulting in a total dividend amounting to $3,003,028 (CA$3,916,799).

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 and nine-month periods ended September 30, 2023 and 2022.

	Three-month ended September 30,		Nine-month ended September 30,	
	2023	**2022**	**2023**	**2022**
Net income for the period	**$2,544,416**	$800,926	**$11,490,275**	$8,502,712
Weighted average number of common shares outstanding	**38,340,193**	38,790,831	**38,399,145**	38,722,245
Dilutive share purchase options and DSUs (1)	**893,902**	770,007	**749,286**	1,009,178
Weighted average number of outstanding shares for diluted earnings per share	**39,234,095**	39,560,838	**39,148,431**	39,731,423
Basic earnings per share	**$0.07**	$0.02	**$0.30**	$0.22
Diluted earnings per shares (1)	**$0.06**	$0.02	**$0.29**	$0.21

(1) For the three-month and nine-month periods ended September 30, 2023, 300,000 stock options are excluded from the diluted earnings per share since their exercise price are higher than the average market price for Dynacor shares.

For the three-month and nine-month period ended September 30, 2022, no stock options were excluded from the diluted earnings per share since their exercise price are lower than the average market price for Dynacor shares.

15. 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	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Salaries and short-term employee benefits				
Cost of sales	**1,633,778**	1,223,040	**4,590,962**	3,553,085
General and administration expenses	**776,913**	658,676	**2,370,303**	2,150,693
Other project expenses	**59,666**	-	**59,666**	
Salaries and short-term employee benefits	**2,470,357**	1,881,716	**7,020,931**	5,703,778
Share-based compensation and DSU expense				
General and administration expenses	**66,531**	13,355	**257,733**	150,038
Share based compensation and DSU expense	**66,531**	13,355	**257,733**	150,038
Total employee remuneration	**2,536,888**	1,895,071	**7,278,664**	5,853,816

(Expressed in US dollars)

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

	Three-month ended September 30, 2023	Three-month ended September 30, 2022	Nine-month ended September 30, 2023	Nine-month ended September 30, 2022
	$	$	$	$
Cost of sales				
Ore	**50,584,493**	35,766,244	**141,851,363**	114,693,445
Salaries, benefits and other employee expenses	**1,772,170**	1,352,242	**4,996,038**	3,924,740
Production supplies	**1,651,375**	1,378,697	**4,837,965**	4,170,778
Transportation	**2,094,823**	1,700,957	**5,985,171**	4,549,782
Other production costs	**693,291**	641,239	**2,023,000**	2,012,443
Provision for impairment of accounts receivable	**7,691**	(7,162)	**15,580**	(36,639)
Depreciation of property, plant and equipment and of right-of-use assets	**785,393**	756,628	**2,285,302**	2,086,980
Peruvian profit-sharing expense	**490,915**	351,687	**1,372,813**	1,067,939
Variation of finished goods – Gold dore bars	**-**	-	**1,331,864**	-
Variation of gold in process inventory	**(1,630,648)**	(455,408)	**(2,528,293)**	(769,975)
	56,449,503	41,485,124	**162,170,803**	131,699,493

	Three-month ended September 30, 2023	Three-month ended September 30, 2022	Nine-month ended September 30, 2023	Nine-month ended September 30, 2022
	$	$	$	$
General and administrative expenses				
Salaries, benefits and other employee expenses	**786,779**	665,695	**2,397,845**	2,173,925
Office and other expenses	**257,680**	138,076	**852,349**	679,400
Professional fees	**181,170**	135,037	**509,889**	383,104
Promotion, investor relation and corporate expenses	**89,243**	81,175	**263,347**	367,177
Travel expenses	**67,367**	67,738	**199,830**	168,594
Depreciation of property, plant and equipment and of right-of-use assets	**80,136**	42,259	**197,204**	181,862
Peruvian profit-sharing expense	**119,456**	85,234	**336,976**	277,422
	1,581,831	1,215,214	**4,757,440**	4,231,484
Share-based remuneration:				
Options	**66,531**	13,355	**107,736**	57,973
DSUs	**-**	-	**149,997**	92,065
	1,648,362	1,228,569	**5,015,173**	4,381,522

(Expressed in US dollars)

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

	Three-month ended September 30, 2023	Three-month ended September 30, 2022	Nine-month ended September 30, 2023	Nine-month ended September 30, 2022
	$	$	$	$
Financial income				
Interest and other financial income	**330,212**	132,970	**837,761**	178,281
Financial expenses				
Interest on lease liabilities	**10,605**	3,362	**32,620**	11,766
Other interest and financial expenses	**72,109**	47,182	**193,979**	135,019
Accretion expense on asset retirement obligation	**20,396**	18,437	**61,189**	55,311
	103,110	68,981	**287,788**	202,096

	Three-month ended September 30, 2023	Three-month ended September 30, 2022	Nine-month ended September 30, 2023	Nine-month ended September 30, 2022
	$	$	$	$
Depreciation				
Depreciation of property, plant and equipment	**769,878**	752,851	**2,238,757**	2,075,649
Depreciation of right-of-use assets	**15,515**	3,777	**46,545**	11,331
Depreciation included in costs of sales	**785,393**	756,628	**2,285,302**	2,086,980
Depreciation of property, plant and equipment	**73,743**	35,866	**178,025**	105,383
Depreciation of right-of-use assets	**6,393**	6,393	**19,179**	76,479
Depreciation included in general and administration expenses	**80,136**	42,259	**197,204**	181,862
	865,529	798,887	**2,482,506**	2,268,842

Income taxes

The major components of the income tax expense are:

	Three-month ended September 30, 2023	Three-month ended September 30, 2022	Nine-month ended September 30, 2023	Nine-month ended September 30, 2022
	$	$	$	$
Current income tax	**2,337,511**	1,983,537	**6,144,671**	5,307,958
Deferred income tax (1)	**324,091**	332,165	**(210,030)**	(312,935)
	2,661,602	2,315,702	**5,934,641**	4,995,023

During the three-month period ended September 30, 2023, $150,000 of withholding tax paid on dividend paid to the Corporation by its subsidiary ($300,000 the nine-month period ended September 30, 2023) (respectively $314,491 and $654,491 for the same periods of 2022).

During the three-month period ended September 30, 2023, the Corporation recognized a deferred tax expense in the amount of $324,091 (recovery of -$210,030 for the nine-month period ending September 30, 2023) (expense of $332,165 and recovery of -$312,935 respectively for the same periods of 2022) 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 ended September 30,		Nine-month ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Changes in working capital items				
Accounts receivable	**1,113,583**	(1,171,336)	**1,279,341**	(1,055,627)
Current tax liabilities	**1,254,292**	(166,389)	**2,086,289**	(2,054,439)
Inventories	**(1,315,505)**	(830,654)	**(619,955)**	2,523,138
Prepaid expenses	**130,875**	178,384	**(264,827)**	(175,715)
Trade and other payables	**(104,327)**	(12,760)	**(461,795)**	(289,348)
	1,078,918	(2,002,755)	**2,019,053**	(1,051,991)

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, Chief Operating Officer and Vice President Operations, Latin America.

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

	Three-month ended September 30,		Nine-month ended September 30,	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Salaries, benefits and directors' fees	**318,674**	276,552	**1,050,061**	962,638
Share-based compensation (1)	**65,709**	10,308	**252,497**	136,509
	384,383	286,860	**1,302,558**	1,099,147

(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 professional fees amounting to $34,772 for the three-month period ended September 30, 2023 ($89,892 for the nine-month period ended September 30, 2023) ($13,332 and $71,162 respectively for the same periods of 2022).

A Director charged consulting fees relating to the revision of ESG procedures amounting to $25,638 for the nine-month period ended September 30, 2023 (none for the three-month period ended September 30, 2023) ($26,302 and $3,603 respectively for the same periods of 2022).

18. Other commitments and other contingencies

Sunat 2015 / 2016 / 2017 audits

On October 26, 2021, October 28, 2022 and December 29, 2022 respectively, a Corporation subsidiary received notices of assessment from the Peruvian tax authorities for each of the fiscal years 2015, 2016 and 2017 in the aggregate amount equivalent to $15.6 million including $11.7 million in penalties and interests. Additional penalties and interests since the notices of assessment are estimated at $1.3 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 and fully supported deductible transactions. Therefore, the Corporation contested these claims.

The Corporation recorded a tax provision related to uncertain tax position for items other than ore purchases, in the amount of $0.7 million (including $0.5 million in penalties and interest). Although the Corporation considers that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect the consolidated financial statements.

Other commitments

The Corporation has contractual commitments with suppliers. As at September 30, 2023, the obligations are $250,000 over the next three years ($565,000 as at December 31, 2022).