Dynacor Group Inc.

Condensed Interim Consolidated Financial Statements

As at September 30, 2022 and for
the three-month and nine-month periods ended
September 30, 2022 and 2021
(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, 2022 and for the three-month and nine-months periods ended September 30, 2022 and 2021, have not been reviewed by the Corporation's external auditors.

Jean Martineau

Jean Martineau
President and Chief Executive Officer

Leonard Teoli

Leonard Teoli, CPA
Vice President of finance and
Chief Financial Officer

Dynacor Group Inc.
Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(Expressed in US dollars)

	As at September 30, 2022 $	As at December 31, 2021 $
ASSETS		
CURRENT ASSETS		
Cash (Note 5)	**31,038,852**	27,099,182
Accounts receivable (Note 6)	**9,395,622**	8,406,529
Inventories (Note 7)	**12,240,488**	14,763,626
Prepaid expenses and other assets	**315,691**	139,977
	52,990,653	50,409,314
NON-CURRENT ASSETS		
Property, plant and equipment (Note 8)	**21,124,193**	20,759,092
Right-of-use assets (Note 11)	**252,998**	340,808
Exploration and evaluation assets (Note 9)	**18,538,060**	18,515,833
Other non-current assets (Note 7)	**1,331,864**	1,331,864
	41,247,115	40,947,597
TOTAL ASSETS	**94,237,768**	91,356,911
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables (Note 10)	**11,217,530**	11,679,815
Current tax liabilities	**159,749**	2,216,584
Current portion of lease liabilities (Note 11)	**36,341**	110,553
	11,413,620	14,006,952
NON-CURRENT LIABILITIES		
Asset retirement obligations (Note 12)	**3,494,281**	3,552,620
Lease liabilities (Note 11)	**203,226**	233,416
Deferred tax liabilities	**1,242,343**	1,555,278
	4,939,850	5,341,314
TOTAL LIABILITIES	**16,353,470**	19,348,266
SHAREHOLDERS' EQUITY		
Share capital (Note 13 a))	**22,540,360**	21,511,430
Contributed surplus (Notes 13 b) and c))	**3,137,957**	3,477,955
Retained earnings	**52,205,981**	47,019,260
TOTAL SHAREHOLDERS’ EQUITY	**77,884,298**	72,008,645
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**94,237,768**	91,356,911

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.
Condensed Interim Consolidated Statements of Comprehensive Income (Unaudited)
For the three-month and nine-month periods ended September 30, 2022 and 2021
(Expressed in US dollars)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Sales	**45,997,625**	61,941,662	**150,021,796**	145,627,487
Cost of sales (Note 15)	**(41,485,124)**	(54,075,523)	**(131,699,493)**	(125,941,084)
Gross operating margin	**4,512,501**	7,866,139	**18,322,303**	19,686,403
General and administrative expenses (Note 15)	**(1,228,569)**	(1,223,876)	**(4,381,522)**	(4,433,589)
Other project expenses	**(104,333)**	-	**(209,205)**	(16,284)
Operating income	**3,179,599**	6,642,263	**13,731,576**	15,236,530
Financial income (Note 15)	**132,970**	2,999	**178,281**	16,662
Financial expenses (Note 15)	**(68,981)**	(80,138)	**(202,096)**	(202,326)
Write-off of exploration and evaluation assets (Note 9)	**-**	-	**(386)**	(1,767)
Foreign exchange loss	**(126,960)**	(79,913)	**(209,640)**	(369,280)
Income before income taxes	**3,116,628**	6,485,211	**13,497,735**	14,679,819
Income tax expense				
Current (Note 15)	**(1,983,537)**	(2,695,361)	**(5,307,958)**	(6,084,270)
Deferred (Note 15)	**(332,165)**	(272,073)	**312,935**	(809,836)
	(2,315,702)	(2,967,434)	**(4,995,023)**	(6,894,106)
Net income and comprehensive income	**800,926**	3,517,777	**8,502,712**	7,785,713
Weighted average number of outstanding common shares (Note 14)				
Basic	**38,790,831**	38,919,359	**38,722,245**	38,866,662
Diluted	**39,560,838**	39,709,890	**39,731,423**	39,575,755
Earnings per share (Note 14)				
Basic	**$0.02**	$0.09	**$0.22**	$0.20
Diluted	**$0.02**	$0.09	**$0.21**	$0.20

Contingencies and other commitments (Note 18)

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

Dynacor Group Inc.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
For the nine-month periods ended September 30, 2022 and 2021
(Expressed in US dollars)

	Share Capital $	Contributed surplus $	Retained earnings $	Total equity $
Balance, January 1, 2022	**21,511,430**	**3,477,955**	**47,019,260**	**72,008,645**
Net income and comprehensive income for the period	-	-	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) iii))	(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**

	Share Capital $	Contributed surplus $	Retained earnings $	Total equity $
Balance, January 1, 2021	**21,011,151**	**3,483,715**	**38,249,314**	**62,744,180**
Net income and comprehensive income for the period	-	-	7,785,713	7,785,713
	21,011,151	3,483,715	46,035,027	70,529,893
Share-based compensation expense (Note 13 b))	-	137,977	-	137,977
Exercise of stock options (Note 13 a) i))	539,518	(221,632)	-	317,886
Deferred share units expense (Note 13 c))	-	88,483	-	88,483
Settlement of deferred share units (Note 13 a) ii)	96,919	(96,919)	-	-
Repurchase of common shares (Note 13 a) iii))	(130,586)	-	(313,358)	(443,944)
Dividends (Note 13 d))	-	-	(1,667,682)	(1,667,682)
Transactions with owners	505,851	(92,091)	(1,981,040)	(1,567,280)
Balance, September 30, 2021	**21,517,002**	**3,391,624**	**44,053,987**	**68,962,613**

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

Dynacor Group Inc.
Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
For the three-month and nine-month periods ended September 30, 2022 and 2021
(Expressed in US dollars)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Operating activities				
Net income	**800,926**	3,517,777	**8,502,712**	7,785,713
Adjustments for:				
Provision for impairment of accounts receivable (Note 15)	**(7,162)**	29,500	**(36,639)**	41,507
Depreciation (Note 15)	**798,887**	665,486	**2,268,842**	1,957,051
Gain on disposal of property, plant and equipment and of right-of-use assets	**(27,259)**	(39,679)	**(60,074)**	(69,160)
Write-off of exploration and evaluation assets (Note 9)	**-**	-	**386**	1,767
Deferred tax expense (recovery)	**391,351**	377,355	**(305,031)**	1,030,726
Accretion expense on asset retirement obligations (Note 12)	**18,437**	18,046	**55,311**	54,137
Share based compensation (Note 13 b))	**13,355**	27,467	**57,973**	137,977
Deferred share units expense (Note 13 c))	**-**	-	**92,065**	88,483
Unrealized foreign exchange (gain) loss	**(30,744)**	(231,694)	**12,539**	(371,409)
	1,957,791	4,364,258	**10,588,084**	10,656,792
Changes in working capital items (Note 16)	**(2,002,755)**	1,325,272	**(1,051,991)**	(234,243)
Net cash from (used in) operating activities	**(44,964)**	5,689,530	**9,536,093**	10,422,549
Investing activities				
Proceeds from disposal of property, plant and equipment and right-of-use assets	**53,728**	55,542	**89,491**	109,779
Acquisition of property, plant and equipment (Note 8)	**(792,221)**	(561,399)	**(2,575,550)**	(2,197,696)
Additions to exploration and evaluation assets	**-**	3,482	**(22,613)**	(14,118)
Net cash used in investing activities	**(738,493)**	(502,375)	**(2,508,672)**	(2,102,035)
Financing activities				
Payment on asset retirement obligations (Note 12)	**(6,822)**	(68,233)	**(113,650)**	(123,178)
Repayment of lease liabilities and interests' payments (Note 11)	**(21,674)**	(40,271)	**(104,402)**	(176,271)
Proceeds from the exercise of stock options (Note 13 a) i))	**28,798**	76,581	**873,713**	317,886
Repurchase of common shares (Note 13 a) ii))	**(488,278)**	(126,397)	**(1,403,089)**	(443,944)
Dividends	**(746,869)**	(626,272)	**(2,267,299)**	(1,921,076)
Net cash used in financing activities	**(1,234,845)**	(784,592)	**(3,014,727)**	(2,346,583)
Change in cash during the period	**(2,018,302)**	4,402,563	**4,012,694**	5,973,931
Effect of exchange rate fluctuation on cash	**(97,483)**	(45,947)	**(73,024)**	(38,749)
Cash, beginning of the period	**33,154,637**	13,446,329	**27,099,182**	11,867,763
Cash, end of the period	**31,038,852**	17,802,945	**31,038,852**	17,802,945
Income taxes paid related to operating activities	**2,806,569**	1,762,344	**7,518,727**	4,996,647

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 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 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 July 2021, the Corporation obtained a favorable court order for the release of more than 60% of the 2,650 ounces shipment retained by the Peruvian authorities in December 2019. The portion of the shipment subject to the court order was exported during the third quarter of 2021. The Corporation cannot predict at this time when the remaining portion of the retained shipment will be released by the authorities and therefore this retained portion is still classified under other non-current assets as at September 30, 2022.

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

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

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

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

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors (the "Board") on November 10, 2022.

Basis of measurement

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

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

Basis of consolidation

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

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

3. Significant accounting policies

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

4. Judgments, estimates and assumptions

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

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

(Expressed in US dollars)

5. Cash

	As at September 30, 2022 $	As at December 31, 2021 $
Cash (equivalent in USD)		
United States dollars (1)	**29,565,933**	26,325,427
Peruvian Nuevo soles	**112,081**	611,768
Canadian dollars	**1,360,838**	161,987
	31,038,852	27,099,182

(1) As at September 30, 2022 $568,668 has been given as collateral against stand-by letters of credit totaling $568,668 ($187,887 as at December 31, 2021).

6. Accounts receivable

	As at September 30, 2022 $	As at December 31, 2021 $
Sales tax receivable (1)	**4,858,867**	4,635,346
Trade and other receivables (2) (3)	**3,999,683**	3,634,605
Advances to suppliers	**537,072**	136,578
	9,395,622	8,406,529

(1) Subsequent to period end, an amount of $4.8 million was recovered from previous months filing claims.

(2) $3.7 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, 2022 $	As at December 31, 2021 $
Ore	**5,373,527**	8,801,042
Gold in process	**6,327,698**	5,557,723
Finished goods-Gold dore bars (1)	**1,331,864**	1,331,864
Supplies	**539,263**	404,861
	13,572,352	16,095,490
Less: long term portion – other assets	**(1,331,864)**	(1,331,864)
	12,240,488	14,763,626

No inventories are carried at fair value less cost to sell at September 30, 2022 and December 31, 2021.

(1) Included in finished goods-Gold dore bars is the remaining portion of the December 2019 shipment retained by the Peruvian authorities (Note 1). The Corporation cannot predict at this time when the remaining portion of the retained shipment will be released by the authorities and therefore it is still classified under other non-current assets as at September 30, 2022.

(Expressed in US dollars)

8. Property, plant and equipment

	Land $	Buildings $	Plant & equipment $	Rolling stock $	Total $
Cost					
Balance, January 1, 2022	998,011	4,881,976	23,658,285	3,392,688	32,930,960
Additions	-	198,687	1,603,707	773,156	2,575,550
Disposals	-	-	(2,668)	(260,413)	(263,081)
Balance, September 30, 2022	998,011	5,080,663	25,259,324	3,905,431	35,243,429
Accumulated Depreciation					
Balance, January 1, 2022	-	1,382,138	8,821,168	1,968,562	12,171,868
Depreciation	-	188,889	1,597,660	394,483	2,181,032
Disposals	-	-	(2,199)	(231,465)	(233,664)
Balance, September 30, 2022	-	1,571,027	10,416,629	2,131,580	14,119,236
Net book value, September 30, 2022	**998,011**	**3,509,636**	**14,842,695**	**1,773,851**	**21,124,193**

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

(Expressed in US dollars)

9. Exploration and evaluation assets

	Exploration properties			
	Tumipampa $	**Anta** $	**Others** $	**Total** $
Mining rights				
Balance, January 1, 2022	1,305,496	180,193	23,065	1,508,754
Additions	-	-	4,487	4,487
Write-off			(386)	(386)
Balance, September 30, 2022	1,305,496	180,193	27,166	1,512,855
Deferred exploration and evaluation costs				
Balance, January 1, 2022	16,700,096	306,983	-	17,007,079
Additions	18,126	-	-	18,126
Balance, September 30, 2022	16,718,222	306,983	-	17,025,205
TOTAL	**18,023,718**	**487,176**	**27,166**	**18,538,060**

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

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

Tumipampa property ("Tumipampa")

Tumipampa is located 500 km from Lima, Peru, in the Circa district, Province of Abancay, department of Apurimac. As at September 30, 2022, the Tumipampa project covers an area of 7,696 hectares.

Despite the Board of Directors approval of the delayed exploration program for 2022, the Corporation is still unable to reach an agreement with the local community to begin the expected program.

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.

Other

In 2022, one concession was not renewed at expiry date. Consequently, an amount of $386 was written-off (three concessions and aggregate amount of $1,767 in 2021).

(Expressed in US dollars)

10. Trade and other payables

	As at September 30, 2022 $	As at December 31, 2021 $
Accounts payable and accrued liabilities (1)	**8,811,108**	8,693,900
Accrued profit sharing (2)	**1,302,036**	2,195,045
Wages and benefits payable	**1,104,386**	790,870
	11,217,530	11,679,815

(1) Including $234,156 of monthly dividends paid in October 2022 ($253,734 as at December 31, 2021 of dividends paid in January 2022).

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

11. Leases

The Corporation has leases for the land of the Chala plant, office spaces and some of its rolling stock. The leases have an initial term of 2 to 20 years, and some have a renewal option after that date. The lease terms are negotiated individually and encompass a wide range of different terms and conditions.

Right-of-use assets

	Land $	Building $	Total $
Costs			
Balance, January 1, 2022	260,643	606,743	867,386
Balance, September 30, 2022	260,643	606,743	867,386
Accumulated Depreciation			
Balance, January 1, 2022	45,329	481,249	526,578
Depreciation	11,331	76,479	87,810
Balance, September 30, 2022	56,660	557,728	614,388
Net book value, September 30, 2022	**203,983**	**49,015**	**252,998**

These right-of-use assets are located in Peru except for $49,015 in Canada ($68,192 as at December 31, 2021).

(Expressed in US dollars)

11. Leases (continued)

Right-of-use assets (continued)

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

Lease liabilities

	As at September 30, 2022 $	As at December 31, 2021 $
Balance, beginning of the period	**343,969**	706,748
New leases and changes in leases	**-**	(139,002)
Repayment of lease liabilities and interests' payments	**(104,402)**	(223,777)
Balance, end of the period	**239,567**	343,969

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

	As at September 30, 2022 $	As at December 31, 2021 $
Within one year	**48,418**	125,138
1 to 2 years	**45,359**	49,957
2 to 5 years	**57,640**	77,911
After 5 years	**162,961**	176,742
	314,378	429,748
Less: implicit interest from 5.00% to 6.33% (2021 – 5.00% to 6.33%)	**(74,811)**	(85,779)
	239,567	343,969
Less: current portion	**36,341**	110,553
	203,226	233,416

(Expressed in US dollars)

11. Leases (continued)

Renewal option

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

The potential future rental payments as at September 30, 2022, relating to periods following the exercise dates of extension options is not significant.

Lease payments not recognised as a liability

The expense relating to payments not included in the measurement of a lease liability is $71,000 for the three-month period ended September 30, 2022 and to $125,000 for the nine-month period ended September 30, 2022 ($23,800 and $70,700 respectively for the same periods of 2021) and relates to short term leases.

The Corporation has short-term lease agreements (less than 12 months). As at September 30, 2022, future minimum lease payments required to meet obligations total $110,000 ($60,000 as at December 31, 2021).

12. Asset retirement obligations

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

	As at September 30, 2022 $	**As at December 31, 2021 $**
Balance, beginning of the period	**3,552,620**	3,603,616
Disbursement	**(113,650)**	(123,178)
Accretion of discounted cash flows	**55,311**	72,182
Balance, end of the period	**3,494,281**	3,552,620

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

As of September 30, 2022, the future value of the provision for closure of facilities and exploration projects is $4.6 million ($4.7 million as at December 31, 2021) which has been discounted using annual risk-free rates up 2.17% in periods of up to 17 years.

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

	As at September 30, 2022 $	**As at December 31, 2021 $**
Veta Dorada Plant	**3,453,840**	3,398,529
Tumipampa	**40,441**	154,091
Balance, end of the period	**3,494,281**	3,552,620

(Expressed in US dollars)

12. Asset retirement obligations (continued)

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, 2022, the Corporation has constituted letters of credit in favor of the MEM for $2,075,000 ($2,075,000 as at December 31, 2021) to secure closure plans of its production facilities and exploration projects.

13. Share capital

a) Shares authorized

Unlimited number of common shares, without par value.

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

Issued and fully paid

Movements in the Corporation's share capital during the nine-month periods ended September 30, 2022 and 2021, are as follows:

	2022		2021	
	Number of common shares	Amount $	Number of common shares	Amount $
Balance beginning of year	**38,757,083**	**21,511,430**	38,866,254	21,011,151
Exercise of share purchase options i)	**515,930**	**1,363,749**	222,094	539,518
Settlement of deferred share units ii)	**-**	**-**	67,575	96,919
Repurchase of common shares iii)	**(589,851)**	**(334,819)**	(240,246)	(130,586)
Balance, end of period	**38,683,162**	**22,540,360**	38,915,677	21,517,002

i) During the nine-month period ended September 30, 2022, a total of 515,930 common shares were issued following the exercise of 515,930 stock options (222,094 for the nine-month period ended September 30,2021) under the plan for a cash consideration of $873,713 (CA$1,117,294) ($317,886 (CA$392,819) for the nine-month period ended September 30,2021). Upon exercise, an amount of $490,036 ($221,632 for the nine-month period ended September 30,2021) 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, 2021, a total of 67,575 DSUs were settled upon departure of a director of the Corporation. Upon settlement, an amount of $96,919, which had been attributed to these DSUs, was reclassified from contributed surplus to share capital.

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

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

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

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

(Expressed in US dollars)

13. Share capital (continued)

a) Shares authorized (continued)

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.

For the nine-month period ending September 30, 2021, the Corporation has repurchased 240,246 common shares for a total cash consideration of $443,944 (CA$557,604), an average repurchase cost of $1.85 (CA$2.32) per share. Total cash consideration paid exceeded by $313,358 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.

b) Share purchase options

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

Movements in the Corporation's share purchase options during the nine-month periods ended September 30, 2022 and 2021, are as follows:

	2022		**2021**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		CA$		**CA$**
Balance, beginning of period	**1,305,406**	**1.96**	1,045,000	1.99
Granted	**-**	**-**	525,000	1.82
Exercised	**(515,930)**	**2.17**	(222,094)	1.77
Cancelled	**(27,695)**	**2.18**	-	-
Balance, end of period	**761,781**	**1.80**	1,347,906	1.96
Exercisable options	**528,781**	**1.81**	993,423	2.02

The weighted average share price for the share options exercised during the nine-month period ended September 30, 2022, at the date of the exercise is CA$3.13 (CA$2.52 for the nine-month period ended September 30, 2021).

During the period, there were no share options granted. During the nine-month period ended September 31, 2021, 175,000 share purchase options were granted at an exercise price of between CA$1.80 and CA$2.22. The aggregate fair value of those options was $80,101 (between $0.45 and $0.58 per 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, 2021, 350,000 share purchase options were granted at an exercise price of CA$1.80 per option. The aggregate fair value of those options was $149,319 ($0.43 per share purchase option). Share purchase options under this program will vest if certain market conditions are met. These market conditions are based on the performance of the Corporation share price in different steps within a specified period. The fair values of these options were determined using a Monte Carlo simulation and based on the assertions described below.

(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, 2021.

	2021
Risk-free interest rate	0.8% to 1.2%
Expected volatility	42.9% to 47.4%
Expected life	84 months
Exercise price	CA$1.80 to 2.22
Share price	CA$1.80 to 2.22
Dividend yield	2.7% to 3.3%
Forfeiture rate (1)	0.0% to 2.0%

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

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

For the three-month period ended September 30, 2022, the share-based compensation costs amounted to $13,355 and was charged to the consolidated statement of comprehensive income ($27,467 for the three-month period ended September 30, 2021). The offsetting credit has been recorded as contributed surplus.

For the nine-month period ended September 30, 2022, the total share-based compensation costs amounted to $57,973 and was charged to the consolidated statement of comprehensive income ($137,977 for the nine-month period ended September 30, 2021). 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 June 17, 2021 annual meeting of shareholders, the shareholders approved the increase of the number of shares that are reserved for issuance under the DSU Plan from 500,000 to 1,000,000. DSUs can only be settled following departure from the Corporation in accordance with the terms of the DSU Plan.

A summary of the activity related to the Corporation's DSUs during the nine-months periods ended September 30, 2022 and 2021, is provided below.

	2022		**2021**	
	Numbers of DSUs	**Cost $**	**Numbers of DSUs**	**Cost $**
Balance, beginning of period	**420,855**	**631,419**	404,399	547,023
Granted	**40,000**	**92,065**	44,031	88,483
Settled	**-**	**-**	(67,575)	(96,919)
Balance, end of period	**460,855**	**723,484**	380,855	538,587

The Corporation has recorded compensation costs of $92,065 related to DSU's in the consolidated statement of comprehensive income for the nine-month period ended September 30, 2022 ($88,483 for the nine-month period ended September 30, 2021).

(Expressed in US dollars)

13. Share capital (continued)

d) Dividends

The following dividends were declared by the Corporation:
- Nine monthly dividend cumulating CA$0.0747 per qualifying common share during the nine-month period ended September 30, 2022 resulting in a total dividend amounting to $2,247,721 (CA$2,892,223).
- Twelve monthly dividend cumulating CA$0.0752 per qualifying common share during the year ended December 31, 2021 resulting in a total dividend amounting to $2,335,440 (CA$2,922,865).

14. Earnings per share

Both the basic and diluted earnings per share have been calculated using the net income as the numerator, i.e. no adjustment to net income was necessary during the three-month and nine-month periods ended September 30, 2022 and 2021.

	Three-month ended September 30,		Nine-month ended September 30,	
	2022	**2021**	**2022**	**2021**
Net income for the period	**$800,926**	$3,517,777	**$8,602,712**	$7,785,713
Weighted average number of common shares outstanding	**38,790,831**	38,919,359	**38,722,245**	38,866,662
Dilutive share options and DSU (1)	**770,007**	790,531	**1,009,178**	709,093
Weighted average number of outstanding shares for diluted earnings per share	**39,560,838**	39,709,890	**39,731,423**	39,575,755
Basic earnings per share	**$0.02**	$0.09	**$0.22**	$0.20
Diluted earnings per shares (1)	**$0.02**	$0.09	**$0.21**	$0.20

(1) For the three-month periods ended September 30, 2022 and 2021, no stock options are excluded from the diluted earnings per share since their exercise price are lower than the average market price for Dynacor shares.

For the nine-month period ended September 30, 2022 and 2021, no stock options are 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	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Salaries and short-term employee benefits				
Cost of sales	**1,223,040**	993,769	**3,553,085**	2,861,224
General and administration expenses	**658,676**	634,215	**2,150,693**	2,006,153
Salaries and short-term employee benefits	**1,881,716**	1,627,984	**5,703,778**	4,867,377
Share-based compensation and DSU expense				
General and administration expenses	**13,355**	27,467	**150,038**	226,460
Share based compensation and DSU expense	**13,355**	27,467	**150,038**	226,460
Total employee remuneration	**1,895,071**	1,655,451	**5,853,816**	5,093,837

(Expressed in US dollars)

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

	Three-month ended September 30, 2022	Three-month ended September 30, 2021	Nine-month ended September 30, 2022	Nine-month ended September 30, 2021
	$	$	$	$
Cost of sales				
Ore	**35,766,244**	44,410,604	**114,693,445**	108,210,471
Salaries, benefits and other employee expenses	**1,352,242**	1,091,644	**3,924,740**	3,141,108
Production supplies	**1,378,697**	1,126,742	**4,170,778**	3,048,476
Transportation	**1,700,957**	1,383,943	**4,549,782**	3,675,777
Other production costs	**641,239**	657,140	**2,012,443**	1,595,935
Provision for impairment of accounts receivable	**(7,162)**	29,500	**(36,639)**	41,507
Depreciation of property, plant and equipment and of right-of-use assets	**756,628**	599,392	**2,086,980**	1,748,015
Peruvian profit-sharing expense	**351,687**	589,430	**1,067,939**	1,312,572
Variation of finished goods – Gold dore bars	**-**	2,111,256	**-**	2,111,256
Variation of gold in process inventory	**(455,408)**	2,075,872	**(769,975)**	1,055,967
	41,485,124	54,075,523	**131,699,493**	125,941,084

	Three-month ended September 30, 2022	Three-month ended September 30, 2021	Nine-month ended September 30, 2022	Nine-month ended September 30, 2021
	$	$	$	$
General and administrative expenses				
Salaries, benefits and other employee expenses	**665,695**	639,408	**2,173,925**	2,025,807
Office and other expenses	**138,076**	116,410	**679,400**	435,594
Professional fees	**135,037**	88,548	**383,104**	767,914
Promotion and corporate development	**81,175**	79,722	**367,177**	259,170
Travel expenses	**67,738**	37,619	**168,594**	110,215
Depreciation of property, plant and equipment and of right-of-use assets	**42,259**	66,094	**181,862**	209,036
Peruvian profit-sharing expense	**85,234**	168,608	**277,422**	399,393
	1,215,214	1,196,409	**4,231,484**	4,207,129
Share-based remuneration:				
Options	**13,355**	27,467	**57,973**	137,977
DSUs	**-**	-	**92,065**	88,483
	1,228,569	1,223,876	**4,381,522**	4,433,589

(Expressed in US dollars)

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

	Three-month ended September 30, 2022	Three-month ended September 30, 2021	Nine-month ended September 30, 2022	Nine-month ended September 30, 2021
	$	$	$	$
Financial income				
Interest and other financial income	**132,970**	2,999	**178,281**	16,662
Financial expenses				
Interest on lease liabilities	**3,362**	16,802	**11,766**	38,733
Other interest and financial expenses	**47,182**	45,290	**135,019**	109,456
Accretion expense on asset retirement obligation	**18,437**	18,046	**55,311**	54,137
	68,981	80,138	**202,096**	202,326

	Three-month ended September 30, 2022	Three-month ended September 30, 2021	Nine-month ended September 30, 2022	Nine-month ended September 30, 2021
	$	$	$	$
Depreciation				
Depreciation of property, plant and equipment	**752,851**	594,125	**2,075,649**	1,724,269
Depreciation of right-of-use assets	**3,777**	5,267	**11,331**	23,746
Depreciation included in costs of sales	**756,628**	599,392	**2,086,980**	1,748,015
Depreciation of property, plant and equipment	**35,866**	33,443	**105,383**	92,191
Depreciation of right-of-use assets	**6,393**	32,651	**76,479**	116,845
Depreciation included in general and administration expenses	**42,259**	66,094	**181,862**	209,036
	798,887	665,486	**2,268,842**	1,957,051

Income taxes

The major components of the income tax expense are:

	Three-month ended September 30, 2022	Three-month ended September 30, 2021	Nine-month ended September 30, 2022	Nine-month ended September 30, 2021
	$	$	$	$
Current income tax	**1,983,537**	2,695,361	**5,307,958**	6,084,270
Deferred income tax	**332,165**	272,073	**(312,935)**	809,836
	2,315,702	2,967,434	**4,995,023**	6,894,106

During the three-month period ended September 30, 2022, $314,491 of withholding tax paid on dividend paid to the Corporation by its subsidiary ($654,491 the nine-month period ended September 30, 2022) (respectively $82,000 and $164,000 for the same periods of 2021).

During the three-month period ended September 30, 2022, the Corporation recognized a deferred tax recovery (non-cash expense) in the amount of $332,165 (recovery of $312,935 for the nine-month period ending September 30, 2022) (expense of $272,073 and $809,836 respectively for the same periods of 2021) mainly related to the difference between the carrying amount for accounting purposes and (which reflects the historical cost in the entity's functional currency) and the underlying tax basis (which reflects the current local tax cost, translated into the functional currency using the current foreign exchange rate).

(Expressed in US dollars)

16. Information included in the statements of cash flows

	Three-month ended September 30,		Nine-month ended September 30,	
	2022	2021	2022	2021
	$	$	$	$
Changes in working capital items				
Accounts receivable	**(1,171,336)**	(2,955,812)	**(1,055,627)**	(3,586,348)
Current tax liabilities	**(166,389)**	861,621	**(2,054,439)**	1,084,393
Inventories	**(830,654)**	2,108,505	**2,523,138**	(1,617,388)
Prepaid expenses	**178,384**	80,192	**(175,715)**	(373,645)
Trade and other payables	**(12,760)**	1,230,766	**(289,348)**	4,258,745
	(2,002,755)	1,325,272	**(1,051,991)**	(234,243)

17. Related party transactions and disclosures

Key management personnel

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

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

	Three-month ended September 30,		Nine-month ended September 30,	
	2022	2021	2022	2021
	$	$	$	$
Salaries, benefits and directors' fees	**276,552**	267,484	**962,638**	844,503
Share-based compensation (1)	**10,308**	20,448	**136,509**	157,521
	286,860	287,932	**1,099,147**	1,002,024

(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 $13,332 for the three-month period ended September 30, 2022 ($71,162 for the nine-month period ended September 30, 2022) ($9,862 and $89,807 respectively for the same periods of 2021).

A Director charged consulting fees relating to the revision of ESG procedures amounting to $3,603 for the for the three-month period ended September 30, 2022 ($26,302 for the nine-month period ended September 30, 2022) ($2,380 and $34,907 respectively for the same periods of 2021).

18. Contingencies and other commitments

Sunat 2015 audit

On October 26, 2021 the Corporation's Peruvian subsidiary received a notice of assessment from the local tax authorities for the fiscal year 2015 in the amount of 25.6 million Soles ($6.5 million) including 16.3 million Soles ($4.1 million) in penalties and interests. Additional interests since October 26, 2021 are estimated at $0.5 million. The main item of the assessment relates to the ore purchased from certain suppliers, qualified as non genuine transactions by the local tax authorities and therefore considered by the authorities as non-deductible expenses.

The Corporation and its legal tax counsel strongly believe that ore purchases are genuine deductible transactions. Therefore, the Corporation contested this claim. As at September 30, 2022 no provision has been recorded for the deductibility of ore purchases. Any provision would be recognized in the Corporation's consolidated financial statements if an unfavorable outcome becomes probable.

Sunat 2016 audit

On October 28, 2022 the Corporation's Peruvian subsidiary received a notice of assessment from the local tax authorities for the fiscal year 2016 in the amount of 13.2 million Soles ($3.3 million) including penalties and interests. 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 are currently reviewing this notice of assessment and strongly believe that ore purchases are genuine transactions. Therefore, the Corporation will contest this claim. As at September 30, 2022 no provision has been recorded for the deductibility of ore purchases. Any provision would be recognized in the Corporation's consolidated financial statements if an unfavorable outcome becomes probable.

Other commitments

The Corporation has contractual commitments with suppliers. As at September 30, 2022, the obligations are $465,000, $10,000 and $100,000 over the next three years ($565,000 as at December 31, 2021).