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Research Flash

Dynacor Group – Positive Developments at All Three Sites

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Rating	Target Price
BUY	**C$9.50**
Unchanged	*Unchanged*

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Disseminated on Behalf of Dynacor Group

All figures in USD unless otherwise stated

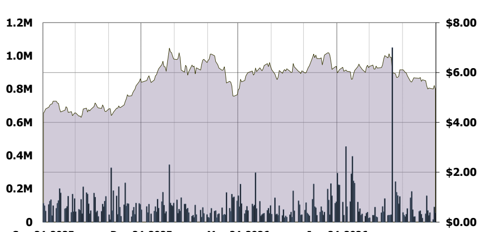
Dynacor Group Inc.	**DNG:TSX**
Rating	BUY
Target Price	C$9.50
Return to Target	80%
Dividend Yield	3.0%

Market Data	
Share Price	C$5.28
Average Daily TSX Volume (K)	61.9
FD ITM Shares (M)	42.7
Market Cap ($M)	$159.4
Cash & Marketable Securities ($M)	$14.8
Debt ($M)	$0.5
Enterprise Value ($M)	$145.2

FYE Dec 31	**2025A**	**2026E**	**2027E**
Tonnes Processed (Kt)	165.9	199.6	245.5
Ounces Produced (Koz)	113.8	137.3	168.8
Revenue ($M)	$397.6	$600.7	$709.1
EBITDA ($M)	$33.0	$42.1	$73.2
Operating CF ($M)	$25.4	$27.2	$46.2
Net Income ($M)	$21.3	$22.3	$42.2
EPS (Basic)	$0.51	$0.53	$1.01
FCFF ($M)	$3.1	($22.5)	$27.2

Valuation	**2025A**	**2026E**	**2027E**
EV/CF	5.7x	5.3x	3.1x
EV/EBITDA	4.4x	3.5x	2.0x
P/E	7.5x	7.1x	3.8x
FCF Yield (%)	2%	-15%	19%

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents



Dynacor is a dividend-paying industrial gold ore processor headquartered in Montreal, Canada. The Company is engaged in gold production through the processing of ore purchased from the ASM (artisanal and small-scale mining) industry. At present, Dynacor operates in Peru, where its management and processing teams have decades of experience working with ASM miners.

What you need to know:

- DNG provided a positive update on its operations across its three main assets. Importantly, rehabilitation at Svetlana in Ecuador is 65% complete and remains on schedule for its first ore feed in Q4.
- In Senegal, all commissioning has been completed, and the plant is now ramping production.
- As for Peru, DNG is reducing inventory and aims to reach 75% of its historical average by quarter-end; we estimate this to be ~$26M. We continue to expect total production to grow 23% in 2027.

Yesterday, Dynacor Group (DNG:TSX, DNGDF:OTC) provided a corporate update across its three main assets, making solid developments. We view the update as a strong positive, aligning with the projections in our model. The most near-term catalyst is the inventory reduction that management is guiding for in Q3 (reported mid-November), as well as Svetlana's first ore feed in Q4. **We are maintaining our BUY rating and C$9.50/share target price on Dynacor.**

Ecuador

DNG reported that plant rehabilitation is approximately 65% complete and remains on schedule for first ore feed in Q4/26. This aligns with our model. The upgrade of the main milling equipment has been completed, and the crushing area is more than 85% complete. Pre-commissioning is planned for October, beginning in the main process plant area; the ball mill has already been tested without load, and DNG is sourcing 500 tonnes of sterile rock for initial commissioning. First ore feed is scheduled for October, with commissioning continuing through Q4/26. The initial gold pour is also targeted for Q4, subject to the successful completion of plant rehabilitation and commissioning. The project remains on budget, having spent $9.5M through August of the projected $22-25M expected for 2026.

Additionally, installation of the electrical cable infrastructure has advanced with the Company signing an agreement with Ecuador's national utility to secure a 6MW grid connection. Rehabilitation of the leaching infrastructure is ~70% complete, the tailings storage facility is expected to be operational at month-end, and DNG is ramping hiring. The Company has obtained its commercialization permit and approval from the Ministry of Environment and Energy is expected for Q4.

Senegal

In Senegal, all commissioning activities have been completed, and the 50tpd plant is now ramping up. The Company has sourced additional stock from new suppliers and has preparations in place for its inaugural gold pour, while it continues to fill initial plant operator and other internal positions. We remind readers that the plant is expected to process 50tpd.

Peru

DNG announced that ore inventory reduction is ongoing and is expected to reach 75% of the historical average by quarter-end. Inventory at the end of Q2 came in at $58.0M compared to $49.0M in Q1. The historical average is likely around $35M, so 75% would imply roughly $26M. As a reminder, our valuation methodology uses OCF (before WC changes), and as such, this does not impact our model.

Q2 Financials Recap

Last month, DNG reported Q2 financial results including its highest-ever quarterly throughput and second-highest quarterly sales. Sales of $144.4M (+81% YoY) came in ahead of our estimate, while EBITDA of $3.2M and net income of $1.1M fell short due to the lower gold price. The stock has declined ~20% since these results have been posted. Our research note on the quarter can be found here.

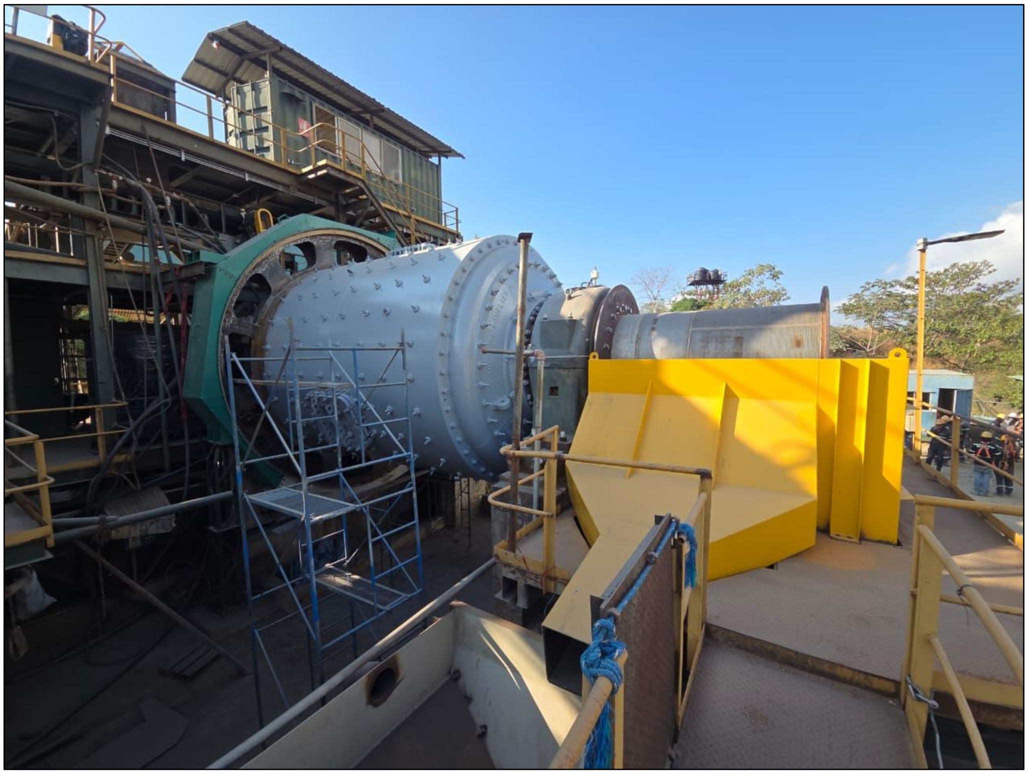


Figure 1: Svetlana Ball Mill (Source: Company Documents)

Figure 2: Tank Sampling in Senegal (Source: Company Documents)

Why We Like DNG

- Proven Track Record & Potential Growth – 9% CAGR for ore processed, 18% CAGR for sales, and 16% CAGR for OCF (before WC) over the last decade. We expect growth to accelerate starting in 2026, and DNG expands into Senegal, Ecuador, and other countries.
- Steady Profitability – DNG has maintained profitability over the past 15 years, consistently raising operating income from $6.5M to $26.7M during this period.
- Strong Balance Sheet & Capital Structure – Excellent balance sheet with US$14.8M in cash and negligible debt.
- Rewarding Shareholders through Dividends – DNG currently pays a 3.0% dividend and has been increasing it over time (>20% CAGR) since announcing its first dividend in 2018.

Catalysts

- Quarterly Production & Financial Results – Ongoing
- Permitting Updates, Growth Initiative Updates, & Progress with Plant Expansion – 2026

Tear Sheet

Market Data	
Ticker	DNG:TSX
Stock Price	C$5.28
Rating	BUY
Target Price	C$9.50
Upside	80%
Market Cap ($M)	$159.4
Cash ($M)	$14.8
Debt ($M)	$0.5
EV ($M)	$145.2

Capital Structure	
Basic Shares Outstanding (M)	41.9
DSUs (M)	0.5
Options (M)	0.9
FD Shares (M)	43.3
FD ITM Shares (M)	42.7

Ownership	
Management & Board	8%
Institutions	12%
Retail	80%

Financial Estimates	2024A	Q1/25A	Q2/25A	Q3/25A	Q4/25A	2025A	Q1/26A	Q2/26A	Q3/26E	Q4/26E	2026E	2027E
Tonnes Processed (Kt)	**175.9**	**43.3**	**38.2**	**39.5**	**44.9**	**165.9**	**46.7**	**48.3**	**49.3**	**55.3**	**199.6**	**245.5**
Ounces Produced	**117.6**	**27.1**	**25.0**	**28.9**	**32.8**	**113.8**	**32.8**	**31.9**	**33.9**	**38.0**	**137.3**	**168.8**
% YoY	*-10%*	*-15%*	*-12%*	*-4%*	*20%*	*-3%*	*21%*	*28%*	*17%*	*16%*	*21%*	*23%*
Sales ($M)	**284.4**	**80.0**	**79.7**	**100.5**	**137.4**	**397.6**	**154.1**	**144.4**	**142.6**	**159.6**	**600.7**	**709.1**
% YoY	*14%*	*18%*	*18%*	*32%*	*88%*	*40%*	*93%*	*81%*	*42%*	*16%*	*51%*	*18%*
Operating Cash Flow ($M)	**21.0**	**5.8**	**4.2**	**6.6**	**8.8**	**25.4**	**10.1**	**1.5**	**5.8**	**9.9**	**27.2**	**46.2**
EBITDA ($M)	29.5	7.3	5.7	9.0	11.0	33.0	13.6	3.2	10.6	14.3	42.1	73.2
Net Income ($M)	16.9	5.1	3.5	5.5	7.2	21.3	7.3	1.1	4.9	9.0	22.3	42.2
FCFF ($M)	10.9	14.2	0.0	(9.6)	(1.5)	3.1	(1.1)	(15.1)	(5.2)	(1.1)	(22.5)	27.2
Cash Cost ($/oz)	2,049	2,525	2,968	3,054	3,365	3,084	4,248	4,244	3,696	3,654	3,944	3,654
Cash Operating Margin ($/oz)	327	353	332	440	799	413	578	206	504	546	462	546

Figure 3: Tear Sheet (Assumes $4,200/oz gold)

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