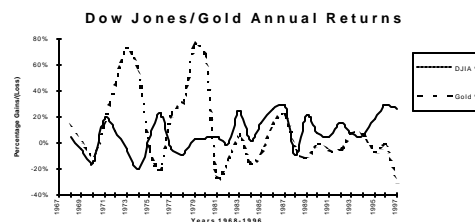




# Gold

## & Technology Stocks



Weekly Hotline Message

(Now in our 25<sup>th</sup> Year)

February 4, 2006

### Dynasty Metals Inc.



Traded TSX Venture – DMM

Price 1/13/06: \$2.51

Shares Outstanding: 21 Million

43-101 Gold Resource: 4 Million Ounces

Market Cap: \$44 Million

Market Value Per Ounce: US\$11 Per Ounce

Country of Operation: Ecuador

Progress Rating: "C"

Telephone: 604-687-0888, Ext. 3

Web Address: [www.dynastymining.com](http://www.dynastymining.com)

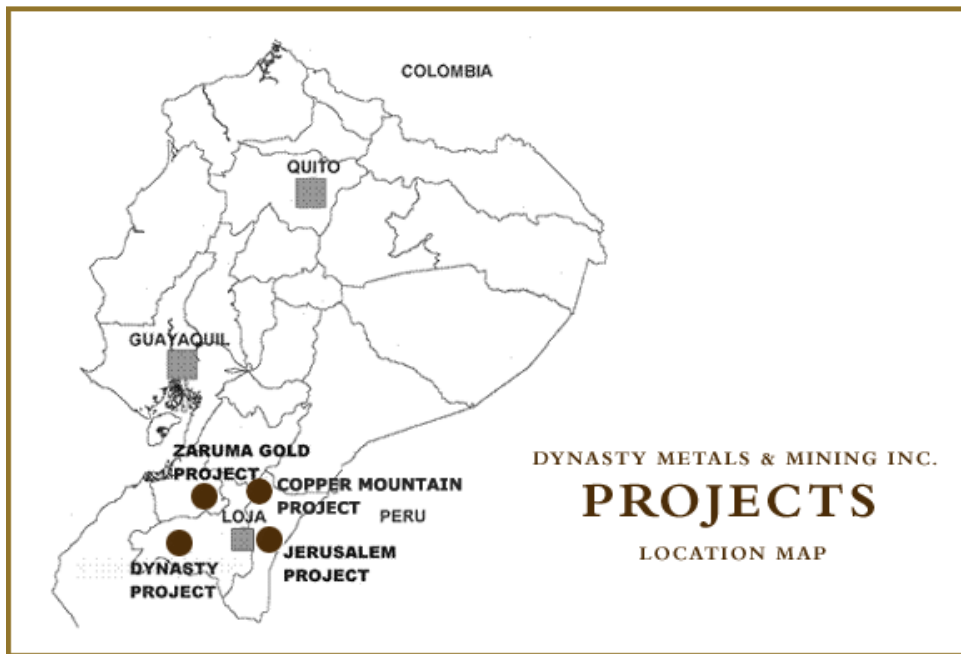
This company has focused on Ecuador, a country where not a whole lot of exploration has taken place in recent years. It has two advanced-stage properties, where economic scoping studies are now taking place. While those studies will provide more information regarding production and cost parameters, the preliminary thinking is that each of these two properties—the **Zaruma Property** and the **Jerusalem Property**—could produce 75,000 ounces annually. Production of 150,000 ounces per year would be a nice start, but the big story here in my mind is that the collective resource of this company is closing in on four million ounces of gold from these two properties; plus, these properties as well as two other lesser developed projects all have very significant exploration potential.

**The Zaruma Property** is comprised of over 40 concessions located in the El Oro Province of southwestern Ecuador, close to the towns of Zaruma and Portovelo. The concession area presently covers 88.46 square kilometers.

At last report, the company reported the following 43-101 resource calculation:

- Measured = 720,100 oz. with a grading of 13.93 grams/tonne.
- Indicated = 408,100 ounces with a grade of 13.87 grams/tonne.
- Inferred = 1,383,400 ounces with a grade of 12.72 grams/tonne gold

When combining these various resource categories, this property contains a resource of 2,493,600 ounces calculated under 43-101 regulations. But it would certainly seem likely this resource cannot only be upgraded with additional drilling but that it can also be significantly expanded. I say that based on the fact that the property is characterized by a monstrous high-grade polymetallic vein system that extends some 15 kilometers long by 5 kilometers wide. At least 18 principal veins in this system have been under explored. In the past, 5 million ounces of gold and 12 million ounces of silver have been taken from the Zaruma. The potential for this property to produce substantial amounts of gold and silver is obvious.



**The Jerusalem Property** is a property that comprises one 100%-owned concession located in the Zamora Chinchipe Province of southeastern Ecuador, about 40 kilometers east of Zamora. An independent report, compliant with NI 43-101 regulations, estimates measured gold ounces at 239,730, indicated ounces of 345,370, and inferred ounces totaling 710,130. The grade ranges between 11.5 grams/tonne and 12.5 grams/tonne.

As with the Zaruma Gold Project, the Jerusalem Gold

Project is blessed with a high-grade polymetallic gold-silver vein system that extends over an area of 1,600 meters by 600 meters. Eleven principal veins have been identified and a significant amount of data has been left behind by prior operators. Past operators carried out 10,825 meters of diamond drilling and 6,375 meters of tunneling. Management believes there is significant potential for high-grade, bulk-mineable gold-silver resources within the veins and the intrusive dyke, respectively.

**The Dynasty Property** is a lesser-developed property, but it is very prospective for gold and copper. The company has focused on the Papayal and Cerro Verde sites, which cover 13 km by 4km. Last year, the company carried out trenching and sampling of twelve separate epithermal vein swarms over 30 square kilometers and diamond drilled a total of 6,843 meters and 58 holes. This is clearly a very large system with major exploration potential.

**Copper Mountain** is a copper-gold porphyry project located approximately 110 km northeast of the company's Zaruma Gold Project and 40 km from IAMGOLD Corporation's advanced Quimsacocha Gold Project. Copper Mountain is a 3 km x 6 km, porphyry-style system. The project encompasses a regional 9 sq. km volcanic caldera structure in which previous explorers identified a large copper, gold, and molybdenum anomaly on porphyry. More than 320 soil samples, on 100-meter spacings over leached soils outlined an anomaly of 1.2 km.

The property also includes a 200-meter by 1,200-meter epithermal vein system with extensive outcroppings 1.5 kilometers west of the porphyry system. Previous exploration of these leached quartz-sulphide veins included a total of 15 channel rock samples with results ranged from 0.1 g/t to 1.0 g/t gold and 2 g/t to 10 g/t silver over an average width of 6 meters. Management plans to undertake exploration including geological mapping, as the setting shows similarity with the iron oxide copper-gold Candelaria Deposit in Chile.

### **Dynasty Appears Undervalued, Relative to Its Peers**

My friends at Gibson & Company in Vancouver took the trouble to compile valuations of peer junior gold companies. While we recognize that company-to-company comparisons are always considerably subjective given the fact that each project has a uniqueness that makes them incomparable to any other, in general, comparisons can be helpful to provide a rough idea about which companies may be overvalued and which may be undervalued. Knowing the Gibson brothers and the folks who work with them to be people of great integrity, I think the following chart that they compiled is worth paying attention to. It shows that Dynasty Metals is very undervalued compared to its peers.

### Comparison Chart - Ounces vs Market Cap

Name	Country	Measured & Indicated oz AU	Inferred oz AU	Average Grade g/t <sup>9</sup>	Market Price <sup>9</sup>	Shares <sup>10</sup>	Market Cap	Value per M&I <sup>11</sup>		Value per Total <sup>12</sup>	
								CDN	US <sup>13</sup>	CDN	US <sup>13</sup>
<b>Dynasty Metals DMM</b>	<b>Ecuador</b>	<b>1,695,300<sup>3</sup></b>	<b>2,093,530<sup>3</sup></b>	<b>12.8 g/t</b>	<b>\$2.90</b>	<b>22,100,000</b>	<b>64,090,000</b>	<b>\$37.80</b>	<b>\$32.83</b>	<b>\$16.92</b>	<b>\$14.69</b>
Banro Corp. BAA	Congo	2,446,000 <sup>7</sup>	5,482,000 <sup>7</sup>	2.45 g/t	\$11.03	32,650,000	360,129,500	\$147.23	\$127.85	\$45.43	\$39.45
International Minerals IMZ	Ecuador	3,592,000	5,907,600	1.34 g/t	\$5.34	81,380,982	434,574,430	\$120.98	\$105.06	\$45.75	\$39.72
Lakeshore Gold LSG	Canada	1,078,728 <sup>6</sup>	21,000 <sup>6</sup>	14.27 g/t	\$2.12	82,080,751	174,011,190	\$161.31	\$140.08	\$63.64	\$55.26
Exeter Resource XRC	Argentina	390,000 <sup>1</sup>	500,000 <sup>1</sup>	1.55 g/t	\$2.04	27,846,783	56,805,356	\$145.65	\$126.48	\$63.82	\$55.42
Miramar Mining MAE	Canada	2,111,000 <sup>4</sup>	4,298,000 <sup>4</sup>	7.8 g/t	\$3.04	167,106,830	508,004,760	\$240.00	\$208.42	\$79.28	\$68.83
Bolivar Gold BGC	Venezuela	1,780,000 <sup>2</sup>	1,886,000 <sup>2</sup>	1.81 g/t	\$3.14	110,400,000	346,656,000	\$194.75	\$169.12	\$100.02	\$86.86
Viceroy Exploration VYE	Argentina	1,428,000 <sup>5</sup>	610,000 <sup>5</sup>	1.31 g/t	\$6.41	42,483,723	272,320,640	\$190.70	\$165.60	\$133.62	\$116.04

**Notes:**

- 1 - June 30/2005 revised resource estimate
- 2 - October 2005 investor presentation
- 3 - January 2006 corporate profile
- 4 - December 31/2004 resource estimate
- 5 - January 2006 website project overview
- 6 - Sept 10 2004 resource estimate
- 7 - January 2006 website corporate profile
- 8 - Average Grade = [ (ounces x grade) + (ounces x grade) ] / Total Ounces
- 9 - Closing price as of January 25, 2006
- 10 - Issued and Outstanding
- 11 - Value per Measured & Indicated oz = Market Cap / (Measured + Indicated)
- 12 - Value per Total oz = Market Cap / (Measured + Indicated + Inferred)
- 13 - Closing price January 25, 2006 \$1.00CDN = \$0.8684US, Globe and Mail

We would call your attention to the fact that the market is currently valuing Dynasty Metals far below its peers. On the basis of total ounces to market cap (Next to last column from your right) we see that Dynasty Metals is at a mere 37% of the peer valued closest to it (Banro Corp) and only 13% of the valuation the market has assigned Viceroy Exploration. These numbers were compiled a couple of weeks back but a quick check of the share prices at the end of this week reveals about the same relative undervaluation for Dynasty metals now as when the Gibson's compiled this study. While grade is not always everything (sometimes a grade of 0.02 oz/ton can be highly profitable while another grade of 1 oz. per ton may not be profitable) it is always an important factor in project economics. So we think it is noteworthy also that Dynasty Metal's average grade of 12.8 grams/tonne is second only to Lakeshore Gold (14.27 grams/tonne).

As this company completes its current scoping studies we will have a better idea of the economics for its first two producing properties. But for now, based on the information we have, Dynasty metals appears to offer very good value relative to its peers not only because of what it currently has in the ground but because of its very significant exploration potential as well.

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