

Casey Investment Alert #220

Dynasty Metals & Mining

(V.DMM, PinkSheets: DMMIF, www.dynastymining.com)

BUY— Dynasty has made great strides, in share price as well as on the ground, since we recommended it just two months ago. It was grossly undervalued then for a company with 3.8 million ounces of gold in two advanced projects. Now it's just undervalued. But in this market ...

DYNASTY METALS & MINING

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Price	Share: C\$4.40	MCap: C\$98.6million	On: 2/10/06
History	Rec: C\$3.08, 2/11/06	Gain: 44.5%	52-week: C\$0.70-C\$5.11
Shares	SO: 22.4million	FD: 26.1 million	As of: 4/11/06
Warrants	UnEx: none	n/a	Exp: n/a
Options	Open: 3.7million	est.W. avg. C\$0.90	Exp: 9/06-2/11
Cash	C\$2 million	Burn: C\$250,000/mo*	As of: 4/11/06

*The company's exploration budget will likely increase after they raise more cash

Consider the highlights below from the recently announced pre-feasibility on the Jerusalem project:

- Total metal recovered: 406,632 ounces gold; 3,522,000 oz silver; 39,653 tonnes zinc; and 14,069 tonnes lead
- Total direct capital costs: US\$25,000,000, including site preparation and mine development, 300,000 tonnes per annum (tpa) mill and treatment facility, and mining equipment
- Cash operating cost per gold-equivalent ounce: US\$195 (open pit and underground combined)
- Cash flow before taxes and royalty (undiscounted): US\$150,000,000

If the economics in the pre-feasibility due out soon on the Zaruma project, which is roughly twice as large as Jerusalem, look this good, the company should be off and running. The low capital expenditures are especially important, giving the company the option to pursue production itself or possibly sell to a mid-tier looking for something turn-key.

On top of the development story, there's plenty of exploration upside. A resource calculation is due out within weeks on the company's Dynasty Goldfield project, where DMM recently announced channel samples of up to 17 g/t gold over a meter, and new discoveries as well. That means that whatever resource the company publishes, it will likely understate what's really there.

The company also recently announced rock chip samples grading up to 34 g/t gold on its Copper Duke project, one of eight porphyries DMM has identified on a 50 km belt it owns. Two drills are turning—this is still a solid speculation.

That said, with all the recent gains, there have to be some shareholders who bought below a dollar a few months ago looking to take profits, so we would try to get in under market at this point.

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