

Dynasty Mining and Metals (DMM.TSX; \$C6.42)

<http://www.dynastymining.com>

Dynasty was certainly a huge bargain when it traded at \$1 last fall with gold at \$US425-\$450. But if you took a brief look at the spreadsheet we sent you recently, DMM still appear to be a great bargain. That is why we are replacing Viceroy with **Dynasty Mining and Metals** in our list of favorites. DMM is another takeover candidate which is doing business in the same country where Iamgold and Aurelian have recently made large gold discoveries, Ecuador. The company says it is the largest concession holder in southern Ecuador. Although Ecuador is a more risky country than Canada or the USA, we think DMM is worth a few of your dollars.

In a nutshell, Dynasty has a market value of \$US 128 millions with US\$10.8 million in the bank and a resource of more than 4 millions ounces of gold in three growing deposits. On a fully diluted per ounce basis, DMM is valued at a conservative \$US 36 per ounce. Let's see how good are these ounces.

In early August, Dynasty announced some drill results from its **Zaruma** gold and silver project in southern Ecuador including an intercept of 1.6 meter of 52 g/t gold. As of today, Zaruma contains 2.5 millions ounces of gold with a grade of 0.45 oz/ton of which 702,100 ounces are measured, 408,100 ounces are indicated and 1,383,400 ounces are inferred. This is according to a recent scoping study published last month. The study suggest that, using gold US\$500, the deposit can be brought to production at a cost of \$US 25 millions for a 250,000 tons per year underground mine and produce 100,000 ounces per year at a cost of \$US181 generating a healthy undiscounted pre-tax 116% IRR . The current deposit is open to expansion and a feasibility study has been recommended on this project.

Earlier last March, Dynasty came up with a positive scoping study on their **Jerusalem** gold property, also in Ecuador. Jerusalem has 585,000 ounces of gold in the M&I category and 710,000 ounces in the inferred. The deposit has also 77,000 tons of zinc at 2-2.5% per ton and some lead and silver. The study suggest that a 300,000 tons per year mill can be built for \$US 25 millions and would produce a total of 835,000 ounces of gold, 7.3 millions ounces of silver, 62,000 tons of zinc and 19,000 tons of lead at a cost of some US\$190 per ounce of gold equivalent. The mining plan includes both open pit and underground mining.

The company has a total of seven projects in Ecuador and another one is worth mentioning at this stage of the exploration game. Last April, the company received a first resource calculation on its **Dynasty Goldfield** gold project where initial M&I resources totaled 424,422 ounces of gold and 4.7M ounces of silver and inferred resources totaled 427,000 ounces of gold and 5.5M ounces of silver at a grade of near 5 grams/ton gold equivalent. A second stage drill program has commenced on this property where several new gold zones like the Cerro Verde and the Copper Duke zones have returned very promising initial results.

Based on the above and a very positive stock chart, we are adding DMM to our list with a buy rating. Our next report will be published on September 3rd.

Enjoy the markets.

Claude Cormier
Editor, The Ormetal Report

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