

# Dynasty Reports Financial Results for the Three and Six Months Ended June 30, 2014

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug 14, 2014) - Dynasty Metals & Mining Inc. ("Dynasty" or the "Company") (TSX:DMM)(OTCQX:DMMIF) announces that it has released its unaudited consolidated financial statements for the three and six months ended June 30, 2014. The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, the Company's unaudited consolidated financial statements as at and for the three and six months ended June 30, 2014 and the related notes thereto (the "Financial Statements") and the Company's management's discussion and analysis ("MD&A"), which are available on the Company's website ([www.dynastymining.com](http://www.dynastymining.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

All dollar amounts in United States dollars unless otherwise stated.

## Summary

The Company reported a net loss of \$2.1 million for the six months ended June 30, 2014 which comprised of a net loss of \$3.2 million for the three months ended June 30, 2014 and the previously reported net profit of \$1.1 million for the three months ended March 31, 2014.

The net loss incurred for the three months ended June 30, 2014 was primarily attributable to a decrease in gold production and associated revenue since there was limited access to regions within the Zaruma Gold Project (the "Zaruma Project") deposit containing higher grade gold. As a result, the average grade of material processed reduced from 10.81 grams per tonne ("g/t") during the three months ended March 31, 2014 to 4.42 g/t during the three months ended June 30, 2014.

Subsequent to June 30, 2014 to date, the average grade of material mined has improved with the extractable gold grade averaging approximately 9 g/t, while still mining comparable average daily tonnes as achieved in the second quarter of 2014. The increase in grade has resulted in the Company shipping dore bars from the Zaruma Project containing approximately 4,000 ounces of gold since June 30, 2014.

Although the reduced grade gave rise to disappointing results for the period it was not unexpected given the current stage of ongoing development and the early stage commercial production phase of operations at the Zaruma Project, specifically:

- a substantial amount of mine development work was performed during the period in order to advance the Zaruma mine. Furthermore, since the Company's accounting policy is to expense all development work at the Zaruma Project as it is incurred this expenditure is included in the income statement thereby increasing the loss for the period as compared to if the Company had adopted an accounting policy to capitalize these expenses; and
- it is not uncommon to encounter areas of the Zaruma deposit with significantly higher or lower grades as compared to the average grade previously disclosed in the Company's mineral resource estimate, since the resource at Zaruma is known to contain a significant variability in grade between different areas, which are often in close proximity to each other. This characteristic is not uncommon among other high-grade narrow quartz vein deposits.

It is for this reason that the Company has previously disclosed, and continues to maintain, the expectation that during this early commercial production phase of operations at the Zaruma Project it is unlikely that the Company will achieve a consistent quarterly production profile until the Zaruma mine is developed further and material is mined from multiple veins simultaneously.

As the Company is still in the process of updating its Technical Reports, including in respect of the Zaruma Project, readers are reminded not to rely upon the mineral resource estimates contained in the Company's public filings until such time as Technical Reports supporting such estimates have been filed.

## Zaruma Gold Project Operating Results

	Six months ended June 30, 2014	Three months ended June 30, 2014	Three months ended March 31, 2014
	(unaudited)	(unaudited)	(unaudited)
Gold Revenue	\$ 15,200,129	\$ 5,809,173	\$ 9,390,956
Gold sales (ounces)	11,768	4,531	7,237
Average realized price per ounce	\$ 1,292	\$ 1,282	\$ 1,298
Mined material milled (tonnes)	53,963	37,065	16,898
Average grade (grams/tonne)	6.42	4.42	10.81
Average recovery (%)	92.6	90.4	94.7
Gold production (ounces)	10,319	4,761	5,558
Cash costs (US\$/oz Au) <sup>(a,b)</sup>	\$ 1,099	\$ 1,310	\$ 919
Cash costs (US\$/tonne Au) <sup>(a,b)</sup>	\$ 210	\$ 168	\$ 302
All-in sustaining cash cost (US\$/oz Au) <sup>(a,b)</sup>	\$ 1,465	\$ 1,646	\$ 1,310

a. Net of by-product credits.

b. Non-GAAP measure. For the disclosure of the manner in which these measures are calculated and a reconciliation to operating expenditures refer to the "Non-GAAP Measures" section of the Company's MD&A for the three and six months ended June 30, 2014 available on SEDAR ([www.sedar.com](http://www.sedar.com)).

c. There are no comparable operating results for the three and six months ended June 30, 2013 since the Company commenced accounting for the Zaruma Project as being in commercial production commencing on October 1, 2013 as the project was meeting production milestones to be operating, for accounting purposes, in the way intended by Management.

Cash costs per ounce and all-in sustaining cash costs per ounce for the six months ending June 30, 2014 were \$1,099 and \$1,465 respectively. Cash costs per ounce and all-in sustaining cash costs per ounce for the three months ending June 30, 2014 were \$1,310 and \$1,646 respectively. Cash costs per ounce and all-in sustaining cash cost per ounce in fiscal 2014 to date have shown a considerable increase compared to the three months ended December 31, 2013 when cash costs per ounce and all-in sustaining cash costs per ounce were \$592 and \$791 respectively.

The Company's operations consist of a large fixed cost proportion, with the actual cash expenditure not varying a great deal between periods, irrespective of the grade or tonnes of material mined and processed. This means that reported cash cost per ounce measures are highly sensitive to the grade of material mined and processed in a given period. The reduction in grade mined and processed during the six months ending June 30, 2014, as well as the cost of development work which was all expensed, has therefore increased the per ounce cash cost measures.

In the near term, the Company intends to remain focused on developing the main decline with the intent to continue to develop high grade gold veins in the area, thereby providing access to additional mining faces which in turn is expected to improve production. This outlook is based on current operations, mine plans and exploration results, which are subject to change and as such cannot be assured (see "Critical Risk Factors" section of the Company's MD&A for the three and six months ending June 30, 2014).

The following tables show selected consolidated financial information as at June 30, 2014 and December 31, 2013 and for the three and six months ending June 30, 2014 and 2013:

	For the Six Months Ended June 30, 2014 <sup>(a)</sup>	For the Six Months Ended June 30, 2013 <sup>(a)</sup>	For the Three Months Ended June 30, 2013 <sup>(a)</sup>
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OPERATING REVENUES	\$	15,676,886	\$	-	\$
OPERATING COSTS (Note 4)					
Mining and processing		12,534,807		-	
Royalties		752,604		-	
Depreciation and depletion		2,321,189		-	
		15,608,601		-	
EARNINGS (LOSS) FROM MINE OPERATIONS		68,285		-	
EXPENSES					
Corporate administration (Note 5)		2,031,009		2,354,681	
Stock-based compensation (Note 11)		134,563		50,051	
		2,165,572		2,404,732	
EARNINGS (LOSS) BEFORE INCOME TAXES		(2,097,287 )		2,404,732	
INCOME TAXES					
Current tax expense		27,565		-	
NET EARNINGS / (LOSS) FOR THE PERIOD	\$	(2,124,852 )	\$	(2,404,732 )	\$
BASIC AND DILUTED LOSS PER SHARE		\$ (0.05 )		\$ (0.06 )	

### Consolidated Statements of Financial Position, as at:

As at:	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash	\$ 356,633	\$ 4,913,500
Receivables	19,817	20,162
Prepaid expenses	757,950	556,380
Inventory	4,294,211	4,320,543
	5,428,611	9,810,585
Advances, deposits and warranties	306,348	306,348
Mine properties, plant and equipment	49,326,508	51,309,641
Exploration and evaluation properties	15,128,900	14,067,965
	\$ 70,190,367	\$ 75,494,539
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,299,661	\$ 6,090,741
Taxes payable	-	2,426,941
Short term loans	1,000,000	1,132,591
	6,299,661	9,650,273
Provision for closure and restoration	1,882,181	1,845,452
	8,181,842	11,495,725
Shareholders' equity		
Capital stock	89,059,365	89,059,365
Contributed surplus	14,075,949	13,941,386
Deficit	(41,126,789 )	(39,001,937 )
	62,008,525	63,998,814
	\$ 70,190,367	\$ 75,494,539

### Liquidity

As at June 30, 2014 the Company had cash resources of \$0.4 million and a working capital deficit (current assets less current liabilities) of \$0.8 million compared to cash resources of \$4.9 million and a working capital surplus of \$0.2 million as at December 31, 2013.

Included within short term loans, and within the calculation of working capital, is a \$1 million Promissory Note from corporations represented by the Company's President and Chief Executive Officer. The Promissory Note bears no interest, is repayable on demand and is secured by way of a General Security Agreement

over certain assets of the Company.

Since June 30, 2014 the Company has shipped dore bars containing approximately 4,000 ounces of gold from the Zaruma Project, with an approximate value of \$5.2 million, which have either been sold or are in transit to the refinery and are soon expected to be available for sale.

### **About Dynasty Metals & Mining**

Dynasty Metals & Mining Inc. is a Canadian based mining company involved in the exploration and development of mineral properties in Ecuador.

The Company is currently focused on developing its Zaruma Gold Project, at which the Company is engaged in intermittent production. The Company also has the following non-producing assets: the Jerusalem Project and Dynasty Goldfield Project.

Brian Speechly, a Fellow of AusIMM (Australian Institute of Mining and Metallurgy), a director of the Company and a "qualified person" within the definition of that term in the National Instrument 43-101, has supervised the preparation of and has verified the technical information contained in this news release.

### **Forward-Looking Information**

*This news release contains statements which are, or may be deemed to be, "forward-looking information" which are prospective in nature. Often, but not always, forward-looking information can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such information in this news release includes, without limitation, statements regarding Dynasty's future plans and expectations relating to the Zaruma mine development and mineral extraction. Forward-looking information is not based on historical facts, but rather on then current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates, including assumptions relating to the Company's ability to continue progress through its declines with minimal or no interruption, that the Company will be able to continue its progress in respect of its mines as planned, that the Company will continue to sell processed gold and silver at levels that allow it to fund the continued development of its mining projects and sustain its operations, that the Company will have access to capital if required, that all necessary approvals and arrangements will be obtained, renewed and/or finalized in a satisfactory manner in order to continue developing the Company's projects, and that the Company's equipment will operate at expected levels. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.*

*Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause Dynasty's actual results, revenues, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important risks that could cause Dynasty's actual results, revenues, performance or achievements to differ materially from Dynasty's expectations include, among other things: (i) risks related to prior mining activity at its mines and declines, (ii) uncertainties relating to mineral resource estimates (iii) risks related to availability of capital on satisfactory terms, (iv) risks related to being an early stage producer; (v) risks related to Dynasty's lack of history in producing metals from Dynasty's mineral exploration properties and its ability to successfully establish mining operations or profitably produce precious metals; (vi) that Dynasty will be unable to successfully negotiate agreements with the holders of surface rights on areas covered by Dynasty's project concessions; (vii) changes in the market prices of gold, silver, and other minerals, which, in the past, have fluctuated widely and which could affect the profitability of Dynasty's operations and financial condition; (viii) risks related to governmental regulations, including taxation statutes; (ix) risks related to Dynasty's primary properties being located in Ecuador, including political, economic, and regulatory instability; (x) uncertainty in Dynasty's ability to obtain and maintain certain permits necessary to the Company's current and anticipated operations; and other risks found in Dynasty's Annual Information Form for the year ended December 31, 2013, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Other than in accordance with its legal or regulatory obligations, Dynasty is not under any obligation and Dynasty expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether*

*as a result of new information, future events or otherwise.*

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