

Dynacor Reports Net Income of US\$ 4.8 M in 2018; a 26% Increase

01.04.2019 | [GlobeNewswire](#)

MONTREAL, April 01, 2019 - [Dynacor Gold Mines Inc.](#) (TSX: DNG / OTC: DNGDF) (Dynacor or the Corporation) a Corporation with gold and silver ore processing operations and exploration projects in Peru, has released its audited consolidated financial statements and the management's discussion and analysis (MD&A) for the year ended December 31, 2018.

These documents have been filed electronically with SEDAR at www.sedar.com and will be available on the Corporation's website www.dynacor.com.

(All figures in this press release are in millions of US\$ unless stated otherwise. Earnings per share and cash-flow per share are in US\$. All variance % are calculated from rounded figures. Some additions might be incorrect due to rounding).

The financial results for 2018 reflect Dynacor's eighth consecutive year of profits as the Corporation recorded a net income of \$4.8 M (\$0.12 per share), an increase of 26.3% compared to 2017.

2018 Highlights

Operational

- In 2018, the Corporation achieved a new production record of 81,314 ounces of gold, an increase of 1.8% compared to 2017 (79,897 ounces);
- For 2018, the Veta Dorada plant processed a total of 91,512 tonnes of ore compared to 76,918 tonnes in 2017 a significant increase of 19.0%.

Financial

- Sales of \$104.7 M in 2018 an increase of 2.9% compared to 2017;
- Gross operating margin of \$13.2 M (12.6%) in 2018, a 1.5% decrease compared to 2017;
- Net income and comprehensive income of \$4.8 M in 2018 (\$0.12 per share), an increase of 26.3% compared to 2017;
- EBITDA ⁽¹⁾ of \$10.5 M, a decrease of 6.2% compared to 2017;
- Cash flow from operating activities before change in working capital items of \$8.4 M (\$0.21 per share) ⁽²⁾, a decrease of 3.4% compared to 2017.
- In Q2-2018, the Corporation implemented a normal course issuer bid share buyback program and in Q3-2018 it initiated the first quarterly cash dividend payment to its shareholders.

(1) EBITDA: "Earnings before interest, taxes and depreciation" is a non-IFRS financial performance measure with no standard definition under IFRS. It is, therefore, possible that this measure could not be comparable with a similar measure of another corporation. The Corporation uses this non-IFRS measure as an indicator of the cash generated by the operations and allows the investor to compare the profitability of the Corporation with others by canceling effects of different assets bases, effects due to different tax structures as well as the effects of different capital structures.

(2) Cash-flow per share is a non-IFRS financial performance measure with no standard definition under IFRS. It is, therefore, possible that this measure could not be comparable with a similar measure of another corporation. The Corporation uses this non-IFRS measure which can also be helpful to investors as it provides a result which can be compared with the Corporation market share price.

2018 OVERVIEW

Overall 2018 was a solid year for Dynacor, as it continued to strengthen its financial position mostly due to the achievement of a new record production level.

The 2018 gold production was nevertheless under yearly expectation which ranged between 90,000 and 94,000 ounces and which had been reviewed to 82,000 at the beginning of the fourth quarter of 2018. The decrease was mainly due to lower average grade ore supplied during the year.

RESULTS FROM OPERATIONS

Extract from Statement of net income and comprehensive income

(in \$'000)	For the years ended December 31,	
	2018	2017
Sales	104,650	101,695
Cost of sales	(91,484)	(88,282)
Gross operating margin	13,166	13,413
General and administrative expenses	(4,718)	(3,867)
Transition, maintenance and other expenses	-	(1,118)
Operating income	8,448	8,428
Income before income taxes	7,935	6,763
Net income and comprehensive income	4,821	3,841
Earnings per share		
Basic	\$ 0.12	\$ 0.10
Diluted	\$ 0.12	\$ 0.10

Total sales amounted to \$104.7 M in 2018 compared to \$101.7 M in 2017. The \$3.0 M increase is explained by increases in gold price (\$1.1 M) combined with increases in the number of ounces sold (\$1.9 M).

In 2018, general and administrative expenses comprised specific operational items including a non-cash provision for impairment of accounts receivable of \$0.3M.

The 2017 transition, maintenance and other expenses were related to the closure of the Huanca Metalex Plant and mainly comprised the depreciation charge.

Reconciliation of non-IFRS measures

	For the years ended December 31,	
	2018	2017
Reconciliation of net income and comprehensive income to EBITDA ⁽¹⁾		
Net income and comprehensive income	4,821	3,841
Income taxes	3,113	2,922
Financial expenses	196	1,330
Depreciation	2,410	2,866
Write-off of exploration and evaluation assets	7	270
EBITDA ⁽¹⁾	10,547	11,229

Fourth quarter results

During the fourth quarter ended December 31, 2018, the Corporation recorded a net income of \$1.3 M (\$0.03 per share) compared to \$1.4 M (\$0.04 per share) in the comparative period of 2017.

CASH FLOW FROM OPERATING, INVESTING AND FINANCING ACTIVITIES AND LIQUIDITY

Operating activities

For the year ended December 31, 2018, total cash generated from operating activities amounted to \$12.7 M (\$0.32 per share), compared to \$7.4 M (\$0.19 per share) in 2017. The cash flow from operating activities before change in working capital items amounted to \$8.4 M (\$0.21 per share), compared to \$8.7 M (\$0.22 per share) in 2017.

Investing activities

During the year ended December 31, 2018, the Corporation invested \$1.4 M (\$0.7 M for the year ended December 31, 2017) for the acquisition of property, plant and equipment, relating to the additions to the Chala plant and rolling stock. Additions to exploration and evaluation assets during the year, amounted to \$1.0 M (\$0.6 M in 2017) and consisted in the completion of the geophysics program, results in analysis and definition of drilling targets on the Tumipampa project in view of the awaiting surface drilling campaign.

Financing activities

During the year, the Corporation announced its first quarterly dividend payment of CA\$0,01 per share which was disbursed in October for a total consideration of \$0.3 M (CA\$0.4 M). A second dividend was declared in November of 2018 and was paid subsequent to year end.

In 2018, the Corporation initiated a share buyback program. A total of 446,367 shares were repurchased in 2018 for a total cash consideration of \$0.6 M (CA\$0.7 M).

As well during the year, a total of 1,143,750 stock options were exercised for total proceeds of \$0.5 M (CA\$0.7 M).

Payments on asset retirement obligations amounted to \$0.6 M in both 2018 and 2017. They related to the dismantling of the Huanca plant and the site restoration completed in 2018.

Other financing activities consisted in the repayment of finance lease obligation for \$0.3M.

Liquidity

As at December 31, 2018, the Corporation's working capital amounted to \$19.7 M, including \$13.9 M in cash (\$16.0 M, including \$4.8 M in cash at December 31, 2017).

2019 OUTLOOK

Ore processing

Dynacor's production outlook in 2019 reflects stable production with an increase in target ranging between 82,000 and 92,000 ounces (based on the previous two years average ore grade supplied to our plant) from 2018's production of 81,314 ounces. In Q4-2018, the Veta Dorada plant in Peru operated at 94% of its capacity (88% in 2018). Steady production levels and continuous plant improvements in cost optimization should positively impact cash flows from operations.

Exploration

Planned drilling

Recent regulation changes have caused delays for exploration projects in Peru. The Corporation is still waiting for the release of its new exploration permit applied for in the first quarter of 2018. Upon obtaining the permit, we will be able to start Dynacor's planned drilling campaign in the disseminated section of the Tumipampa property.

The drilling campaign will consist of:

- The first phase of twelve (12) holes totaling 4,200 meters:
 - Priority 1 targets to be 2,700 m (8 holes)
 - Priority 2 targets to be 1,500 m (4 holes)

ABOUT DYNACOR

Dynacor is a dividend paying gold production corporation headquartered in Montreal, Canada. The corporation is engaged in production through the processing of ore purchased from small scale artisanal miners. At present, Dynacor produces and explores in Peru where its management team has decades of experience and expertise. In 2018, Dynacor produced 81,314 ounces of gold, a yearly best and 1.8% increase as compared with 2017 (79,897 ounces).

Dynacor produces environmental and socially responsible gold through its "PX Impact" gold program. A growing number of supportive firms from the fine luxury jewelry, watchmakers and investment sectors are paying a small premium to our customer and strategic partner for this PX Impact gold. The premium provides direct investment to develop health and education projects to our small-scale artisanal miner's communities.

Dynacor trades on the Toronto Stock Exchange (DNG) and the OTC in the United States under the symbol (DNGDF).

FORWARD-LOOKING INFORMATION

Certain statements in the foregoing may constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Dynacor, or industry results, to be materially different from any future result, performance or achievement expressed or implied by such forward-looking statements. These statements reflect management's current expectations regarding future events and operating performance as of the date of this news release.

Dynacor (TSX: DNG / OTC: DNGDF)

Website: <http://www.dynacor.com>

Twitter: <http://twitter.com/DynacorGold>

For more information, please contact: Dynacor

Dale Nejmelddeen
Director, Shareholder Relations
Dynacor
T: 604.492.0099 | M: 604.562.1348
E: nejmelddeen@dynacor.com

Shares outstanding: 39,211,077

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