

Dynacor Q2-2013: Cash on Hand \$10 Million, EBITDA of \$2.4 Million and 17,893 oz. of Gold Produced

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MONTREAL, QUEBEC--(Marketwire - Aug 14, 2013) - [Dynacor Gold Mines Inc. \(TSX:DNG\)](#) (Dynacor or the Company) a company with gold ore processing operations and exploration projects in Peru, has released its unaudited condensed interim consolidated financial statements for the three and six-month periods ended June 30, 2013. The Company is pleased to report that for Q2-2013, it recorded an operating income of \$2.3M (cumulative six months of \$6.6M) compared to \$1.8M (and cumulative six-months of \$4.4 M) in 2012, and net income of \$0.9 M (\$0.03 per share) (cumulative six-months of \$3.9M (\$0.11 per share)) compared to \$1.2 M (\$0.03 per share) and cumulative six-months of \$2.9 M in 2012.

The unaudited condensed interim consolidated financial statements along with the management's discussion and analysis "MD&A" are available on the Company's website www.dynacor.com and the documents have been filed electronically with SEDAR at www.sedar.com.

All figures in this press release are in millions of US\$ except where noted. Earnings per share and gross operating margin per ounce are in US\$. All variance % are calculated with rounded figures.

Even though the price of gold declined significantly during the second quarter of 2013, the Company's operations remained profitable: gross operating margin and operating income increased as compared to Q2-2012. However, cash gross operating margin per ounce of gold sold decreased to \$216 as compared to \$ 246 in Q2-2012.

Q2-2013 HIGHLIGHTS

- Dynacor strikes high gold grades at Tumipampa;
- Cross Cut Intercepts high grade gold mineralization over 4.85 m assaying 36.48 g/t Au, 1.49 oz/t Ag and 0.43% Cu including 0.75 m with 111.5 g/t Au, 5.14 oz/t Ag and 1.13% Cu ;
- Cash on hand of \$10 M at quarter end compared to \$3.3 at December 31, 2012;
- Ore processing activities generated gold and silver sales of \$25.9M in Q2-2013 compared to \$20.6M in Q2-2012 a 26 % increase over Q2-2012;
- Net income of \$0.9M in Q2-2013 (\$0.03 per share) compared to \$1.2M (\$0.03 per share) in Q2-2012;
- EBITDA of \$2.4M compared to \$2.2M in Q2-2012;
- Gross operating margin of \$3.8 M compared to \$3.0 M in Q2-2012 a 27% increase;
- Cash gross operating margin per ounce⁽²⁾ of gold sold of \$216 compared to \$246 in Q2-2012;
- Operating income of \$2.3M compared to \$1.8M in Q2-2012 a 28 % increase over Q2-2012;
- Cash flow from operating activities before change in working capital items of \$1.5 M (\$0.04 per share)⁽¹⁾ in Q2-2013 compared with \$1.4 M in Q2-2012(\$0.04 per share)⁽¹⁾ ;
- 18,785 DMT (dry metric tonne) processed (16,086 DMT in Q2-2012) a 17% increase over Q2-2012;
- Production of 17,893 ounces of gold (12,392 ounces in Q2-2012) a 44 % increase over Q2-2012;
- Debt free Company, following the reimbursement of the CA\$ 1.2 M outstanding debt:

(1) Cash-flow per share is a non-GAAP 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 company. See the 'Non-IFRS Measures' section of this MDA. The Company uses this non-GAAP measure which can also be helpful to investors as it provides a result which can be compared with the Company market share price.

(2) Cash gross operating margin per ounce is calculated by dividing the Company's cash gross operating margin by the number of gold ounces sold during the period and is a non-GAAP 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 company. The Company uses this non-GAAP measure which can also be helpful to investors as it provides a result on a production unit basis.

Results from operations:

During the period ended June 30, 2013, the Company processed 18,785 dry metric tonnes (DMT) of ore

(cumulative of 37,462 DMT for the six-month period) compared to 16,086 DMT in Q2-2012 (cumulative 33,644 DMT) a 16.8% increase over Q2-2012. The plant operated at its full 220 tpd capacity during Q2 2013. This 18,785 DMT ore throughput represents the largest quarterly tonnage processed in the history of the plant.

In Q2-2013 the Company produced 17,893 ounces of gold (cumulative six-months of 37,920) compared to 12,392 (cumulative six-months of 25,503) for the same period in 2012 a 44.4% increase. In Q1-2013 gold production attained an all-time quarterly record of 20,027 ounces of gold. The increase in gold production as compared to 2012 is explained by a higher tonnage of ore processed and higher gold grades in the ore purchased. During the quarter the grades of ore processed averaged 1.01 oz/DMT (31.42 g/t Au) compared 0.82 oz/DMT (25.51 g/t Au) in 2012.

Total sales for the period amounted to \$25.9M (cumulative six-months \$59.2 M) compared to \$20.6M (cumulative \$44.2 M) for the same periods in 2012 an increase of \$5.3M and 25.7% over Q2-2012. This increase is explained by an increase in gold production which compensated the decrease in the average selling price of gold (Q2-2013 at \$1,420 per ounce as compared to \$1,607 in Q2-2012).

During the quarter, two sudden gold price declines affected the Company's gross operating margin (as accumulated ore inventory had been purchased at costs based on higher gold prices), however, the gross operating margin for the period amounted to \$3.8 M (14.5%) compared to \$ 3.0 M (14.8%) an increase of 26.7% compared to Q2-2012.

The gold cash gross operating margin per ounce was at \$216 in Q2-2013 compared to \$246 in Q2-2012 a 12.2% decrease compared to 2012 mainly due to the decrease in the price of gold during the period.

During Q2-2013, the Company recorded a net income of \$0.9M (\$0.03 per share) compared to \$1.2M (\$0.03 per share) in Q2-2012.

General and administrative expenses amounted to \$1.0M compared to \$0.9M in Q2-2012 explained by increased salaries, professional fees and office expenses.

During the period, the Company suffered a foreign exchange loss of \$0.3 M on monetary items such as cash and receivables maintained in Peruvian soles which contributed to the reduction of the period net income compared to 2012. Also the provision for income tax for the period amounted to \$1.1M compared to \$0.8 M in 2012 due to the greater profitability of the Peruvian ore processing operations during the period and to a local foreign exchange gain affecting Peruvian tax over monetary items held in US dollars such as cash and receivables as US dollar gain over 7% on the Peruvian soles during the period.

Selling expenses are directly related to sales which therefore explains the increase of \$0.2M over 2012. Financial expenses were consistent with last year period. Since the warrants were extinguished in December of 2012, there were no gains or losses during the quarter compared to a gain of \$0.1 in 2012.

FINANCIAL HIGHLIGHTS

(in \$'000)	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2013	2012	2013	2012
Sales	25,870	20,579	59,212	44,223
Cost of sales	22,113	17,537	49,814	37,448
Gross operating margin	3,757	3,042	9,399	6,775
General and administrative expenses	1,002	902	1,832	1,638
Operating income	2,291	1,832	6,577	4,438
Net income and comprehensive income	941	1,182	3,919	2,915
EBITDA ⁽¹⁾	2,382	2,186	6,998	5,072
Net Cash flow from operating activities before changes in working capital items	1,477	1,445	4,613	3,458
Cash flow from operating activities	6,881	641	10,721	1,712
Earnings per share				

Basic	\$0.03	\$0.03	\$0.11	\$0.08
Diluted	\$0.02	\$0.03	\$0.10	\$0.08
Reconciliation of Net comprehensive income to EBITDA ⁽¹⁾				
Net comprehensive income	941	1,182	3,919	2,915
Income taxes	1,058	806	2,263	1,711
Financial expenses	42	64	134	131
Depreciation	341	271	682	528
Revaluation of warrants	-	(137)	-	(213)
EBITDA	2,382	2,186	6,998	5,072

(1) EBITDA: "Earnings before interest, taxes, depreciation and amortization, revaluation of warrants and impairment" is a non-GAAP 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 company. The Company uses this non-GAAP measure as an indicator of the cash generated by the operations and allows investor to compare the profitability of the company with others by canceling effects of different assets bases, effects due to different tax structures as well as the effects of different capital structures. See the 'Non-GAAP Measures' section of this MDA.

CASH FLOW FROM OPERATING, INVESTING AND FINANCING ACTIVITIES AND WORKING CAPITAL

Operating Activities

During the quarter the cash flow from operations before changes in working capital items amounted to \$1.5 M (\$0.04 per share) (cumulative of \$4.6 M for the six-month period (\$0.13 per share)) compared to \$1.4M (\$0.04 per share) (cumulative of \$3.5 M(\$0.10 per share)) in 2012. Total cash generated from operating activities amounted to \$6.9 M (cumulative six-month of \$10.7 M) compared to \$0.6 M (cumulative six-month of \$1.7 M) in 2012.

Investing Activities

During the period, the Company invested \$1.0M (\$0.6M in Q2-2012) for the acquisition of property, plant and equipment to be used at the current plant, including \$0.3 M for the extension of the tailing pond at Huanca and for the preparation of the construction at Chala.

Additions to exploration and evaluation assets amounted to \$0.8 M in Q2-2013 (\$0.1 M in Q2-2012) as the Company continued the exploration program at Tumipampa which includes the surface drilling in the skarn section and the cross-cut in the gold veins.

Financing activities

During Q2-2013, the Company did not complete any share issue financing. The Company became debt free after it paid its quarterly interest and reimbursed in June the outstanding long term debt which came to maturity.

During the period, 106,944 stock options were exercised for gross proceeds of \$0.1M.

Liquidity

As at June 30, 2013, the Company's working capital amounted to \$15.2M including \$10.0M in cash (\$13.3M including \$3.3M in cash at December 31, 2012).

Outlook

The Company's guidance for 2013 is to process 75,000 DMT of ore and produce 66,000 ounces of gold at its 220 tpd ore processing plant at Huanca (Acari).

For the first six month of 2013, the Company processed 37,462 DMT of ore and produced 37,920 ounces of

gold including an historical quarterly best of 20,027 ounces of gold during Q1-2013 as the Company purchased from suppliers, ore with higher than expected gold grades.

As at June 30, 2013, the production in terms of tons processed is right on target and total ounces produced exceeds 2013 year to date guidance. The Company is confident that it will meet 2013 gold production guidance of 66,000 ounces.

ABOUT DYNACOR GOLD MINES INC.

Dynacor is an ore processing and a gold exploration and mining company active in Peru through its subsidiaries since 1996. The Company differentiates itself from pure exploration companies as it also generates income and cash flow from its wholly owned ore processing plant in Peru. The Company's assets include five exploration properties, including the Tumipampa property, as well as its 220 tpd gold and silver ore processing mill at Huanca. Dynacor's mill produces gold from the processing of ore purchased from many different ore suppliers. Dynacor's strength and competitive advantage comes with the experience and knowledge the Company has developed while working in Peru. Its pride remains in maintaining respect and positive work ethics toward its employees, partners and local communities.

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 Gold Mines Inc.](#) (TSX:DNG)

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

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

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Shares outstanding: **36,316,111**

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