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Analyst Ideas of the Week – Dynacor up 20% Since Initiating Coverage

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Dynacor up 20% Since Initiating Coverage

On July 21, 2017, Dynacor Gold Mines Inc. (TSX: DNG) announced its Q2 production results. Production was up by 4% YoY to 18,185 oz in Q2. In the six-month period, production was up by 6% YoY to 35,310 oz.

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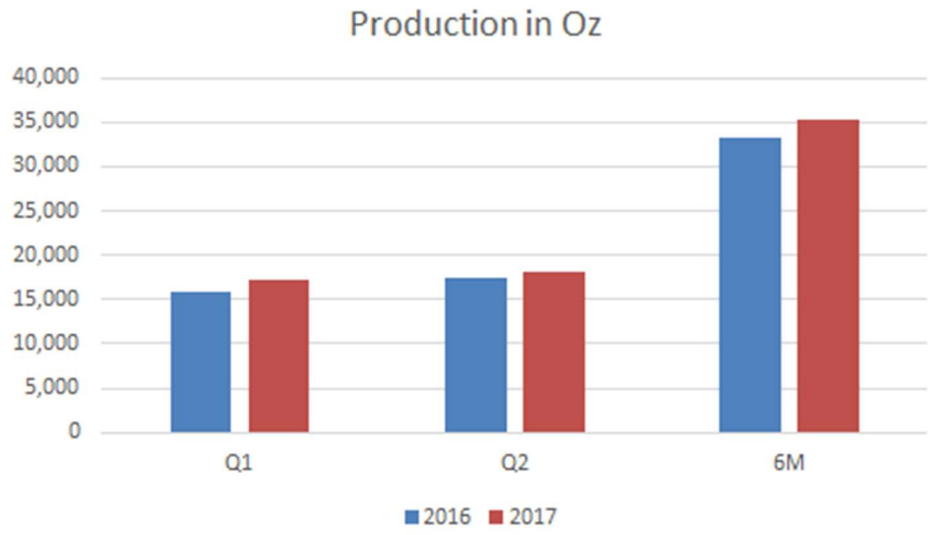

2017 production has been lower than the company's planned production as a result of the heavy rainfall and flooding in the country. Production has been ramping up in the past few months. **DNG posted record production of 6,895 oz in June, up 35% compared to April 2017.**

DNG's shares have performed extremely well since we initiated coverage on June 21, 2017, at C$1.83 per share. Shares are currently at C$2.19 per share, up 20%.

Source: S&P Capital IQ

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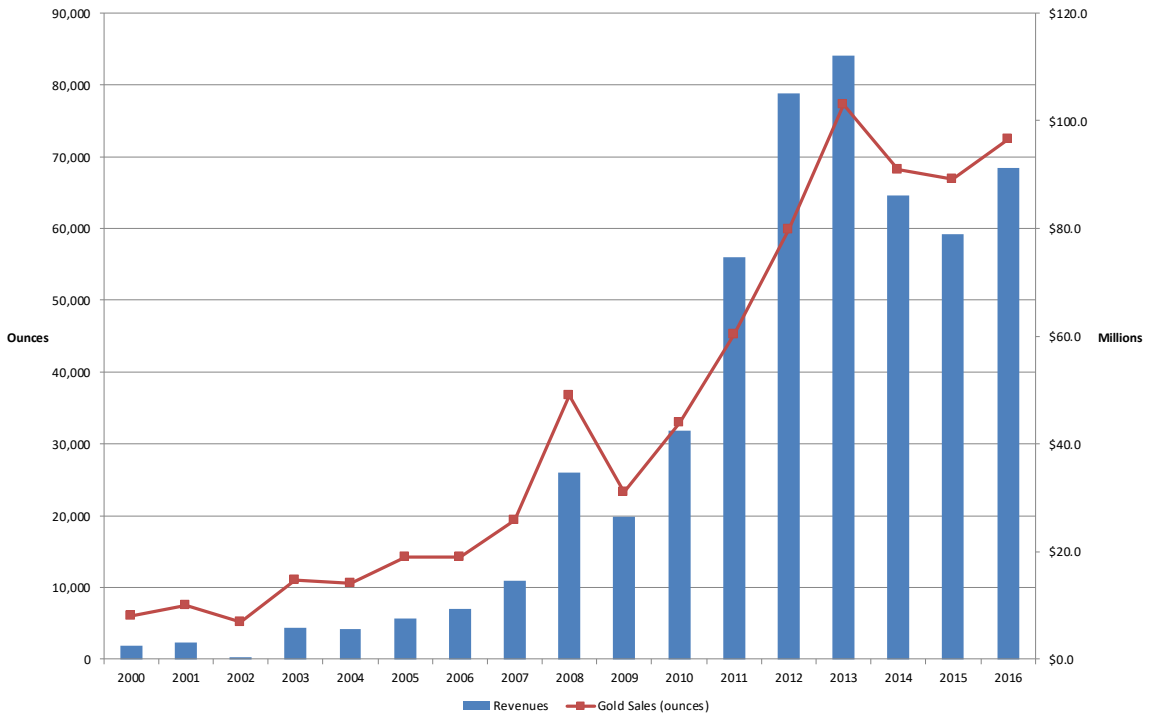
The following chart shows the company's revenues and gold production since 2000. Gold production increased from just 6 Koz in 2000, to 73 Koz by 2016. Revenues increased from $2.46 million to $91.30 million.



2017 production increased as a result of the move to the new Veta Dorada Plant in Q4-2016. Q1-2017 increased YoY from $20.43 million to $24.73 million.

The following table shows our production forecasts, assuming the company reaches production capacity of 450 tpd by 2019 – 2020, and 600 tpd by 2022.

	2015	2016	2017E	2018E	2019E	2020E	2021E	2022E
Tonnes processed	69,594	69,920	98,600	119,000	139,400	159,800	180,200	204,000
TPD	204	204	290	350	410	470	530	600
Grade (opt)	1.03	1.12	0.96	0.96	0.96	0.96	0.96	0.96
Recovery	94.3%	93.8%	94.0%	94.0%	94.0%	94.0%	94.0%	94.0%
Production (Au oz)	67,604	73,476	89,294	107,769	126,244	144,719	163,193	184,747

Our revenue forecast for 2017 is $109.83 million, with a net profit of $4.85 million (EPS: $0.12).

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We have a BUY rating and a fair value estimate of C$3.88 per share.

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