



This Junior Silver Miner Is Poised to Explode

Description

While gold remains relatively steady, silver keeps whipsawing wildly, reacting in a volatile manner to every piece of news relating to the fundamentals of precious metals regardless of whether the news is good or bad.

Nevertheless, while gold has weakened in recent days, silver has firmed, indicating that the long-awaited recovery in silver may have commenced. With solid underlying fundamentals supporting a positive outlook for precious metals, now is the time for investors to boost their exposure to silver.

A promising small-cap silver miner that possesses considerable potential is **MAG Silver Corp.** ([TSX:MAG](#))(NYSE:MAG).

Now what?

MAG Silver owns a 44% interest in the flagship Juanicipio property in Mexico with the remainder being held by its partner **Fresnillo Plc.** While Latin America is typically perceived to be a high-risk jurisdiction in which to operate, Mexico has a demonstrated history of being friendly to precious metals mining.

This makes it a relatively low-risk jurisdiction in which to operate, especially because the sharp decline in the price of crude has forced the government to look elsewhere for much-needed export earnings and revenues.

The property has been assessed to hold resources of 160 million ounces of silver. While there is no guarantee that all of those resources are recoverable, the project's high ore grade bodes well for its success. The mine and related infrastructure is currently under development, and it is expected to commence production during the second half of 2018. Silver output for the first six years is forecast to be 15 million ounces annually with total annualized production expected to be just over 10 million ounces for the mine's 15-year life.

MAG Silver has projected US\$75 million in after-tax annual cash flow for the first six years from its share of that production.

One of the most outstanding aspects of MAG Silver is that it has no debt and considerable liquidity, having US\$132 million of cash on its balance sheet at the end of the first quarter 2017. It also has sufficient working capital to maintain its existing properties and meet planned capital expenditures for more than a year.

These attributes are especially important for investors to consider when choosing to invest in a junior precious metals miner.

You see, exploration and mine development are particularly capital-intensive activities. Because of the lack of operational assets and a reliable source of cash flow, heavily indebted junior miners can be risky investments. That is why it is important to identify those miners, like MAG Silver, that have solid balance sheets and high degrees of liquidity.

It is also worth noting that MAG Silver's partner in the Juanicipio project is Fresnillo, the world's largest primary silver producer; it has a long history of successfully executing large-scale mining projects.

So what?

MAG Silver is an appealing play on silver. It offers investors leveraged exposure to the lustrous white metal and considerable upside. This potential is supported by the Juanicipio project being on schedule to commence operations in the second half of next year, along with its capability to generate solid cash flow for MAG Silver. While junior miners are considered high-risk investments, much of that risk is defrayed by MAG Silver's solid financial position and the quality of its core asset.

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