



Tahoe Resources Inc. Gets its Mining Licence Back for Escobal: Is it Time to Buy?

Description

Tahoe Resources Inc. (TSX:THO)(NYSE:TAHO) shareholders have been on a wild ride this year as the company has been under the threat of default and faced concerns about whether or not it will be able to continue to operate at its Escobal mine in Guatemala. Up until Monday, the belief was that it could be months before a decision would be made by the courts. Tahoe Resources had its licence suspended on the grounds that the mining licence was issued without prior consultation with indigenous groups in the area. The suspension was a huge blow to the company, as it represented about half of its revenue and is one of the largest silver mines in the world.

Mining licence reinstated

On Monday, however, the Supreme Court allowed Tahoe Resources to have its mining licence reinstated, but it has required the company to consult with the affected indigenous communities and provide the court with a report on those talks within 12 months. Unfortunately for Tahoe Resources, protestors are still creating a roadblock that is preventing workers from being able to resume operations at the mine. However, the company expects that to be resolved and production to be back up and running within a week.

Not out of the woods yet

Although Tahoe Resources has its mining licence back at the Escobal mine, there is the possibility that the decision will be appealed, and this issue could still present a problem in the future. Unless Tahoe Resources can find a way to win over the indigenous groups in the area, problems will still likely continue at the mine as protests and roadblocks could cause disruptions in the company's operations.

Can the share price finally rebound?

Tahoe Resource saw its stock price skyrocket over 35% on Monday on the strong news of the mining licence being reinstated. The share price is still trading under its book value of \$8.49 a share, but it is closer to a 10% discount rather than the 30% it was trading at last week. The problem for the share

price is, it is still vulnerable to developments at this mine, and bad news could easily send the stock back down. There is a fair amount of risk in the stock, and given all the uncertainty we have seen so far in that area, risk-averse investors might not have the stomach for this investment.

Is the stock a good investment today?

The share price is trading around 13 times the company's earnings per share, and with the stock trading closer to book value, it might still be a good value investment, especially when you consider the Escobal mine presents tremendous growth opportunities.

However, with the stock appreciating so much in value in just one day, I would be a bit skeptical and expect a bit of a correction in the following days as investors sell to lock in gains, while others might have second thoughts.

The company's revenues have fluctuated from quarter to quarter, but in the past year sales, grew by over 51% and were up 48% the year before that. As the company builds on its growth, the opportunities for the stock price will only continue to improve, so I think, long term, Tahoe Resources is a good investment, if you can handle the roller coaster.

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