



Is it All Over for Tahoe Resources Inc.?

Description

The tale of woe continues for beaten-down precious metals miner **Tahoe Resources Inc.** (TSX:THO)(NYSE:TAHO). After being forced to cease operations at its flagship Escobal silver mine in Guatemala because of that nation's Supreme Court [suspending](#) the mine's licence in July 2017, it has been unable to recommence operations as quickly as expected. There are signs that reinstatement of the mining licence may not occur for some time. Since then, Tahoe has also had to cope with a labour dispute at its La Arena mine in Peru.

These issues compelled the miner to reissue its 2018 guidance and trim its outlook for the year. That has all weighed on Tahoe's value and caused it to plummet by almost 50% over the last year. While some investors may view this as a risky but attractive opportunity, there is every sign that Tahoe will remain under pressure for some time yet.

Now what?

Because of the forced cessation of activities at the Escobal mine, Tahoe's first-quarter 2018 silver output plunged to 34,000 ounces compared to 5.7 million in the same period in 2017. The miner's gold production also dropped by 24% year over year to 91,000 ounces. This marked decline in production had a sharp impact on Tahoe's earnings. First-quarter revenue was almost half of what it had been a year earlier, while adjusted net earnings came to a US\$7.2 million loss compared to a US\$75 million profit for the same period in 2017.

While Tahoe was able to successfully resolve the strike at its La Arena mine, the saga concerning the suspension of the licence and hence operations at the Escobal mine continues.

Initially, Tahoe was optimistic that it would be able to recommence operations at Escobal after the Supreme Court of Guatemala ruled to reinstate the Escobal mining licence. That was prevented by an appeal from protest groups to the Guatemalan Constitutional Court, which, even after [hearing appeals](#) in October 2017, has failed to issue a ruling in accordance with the five-day period stated by local law.

There is every sign that the dispute will continue to drag on, because the Constitutional Court issued a request for additional information in March 2018. That certainly doesn't accord with the positive spin

put on the situation by Tahoe's management.

Because of the polemical nature of the mine and significant discord regarding its operations, and Tahoe's actions surrounding the mine it is difficult to see the dispute being resolved any time soon.

The current political climate in Guatemala also doesn't point to a speedy resolution. Claims of endemic corruption and cronyism surrounding President Jimmy Morales coupled with rising nationalist sentiment could very well delay the Constitutional Court's decision-making process.

So what?

The current situation regarding the Escobal mine will weigh on Tahoe's outlook and operational performance for the foreseeable future. This is despite moves by the company to reduce its dependence on the mine as its primary source of revenue, along with claims that it will restart operations soon. For these reasons, Tahoe is an unappealing investment, and it is unlikely that the company will be capable of recovering the shutdown at Escobal for the foreseeable future. The situation highlights the risks for miners operating in developing nations, which lack a transparent regulatory environment and an equitable legal system.

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mattdsmith

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