



## Why Did This Junior Gold Miner Soar by More Than 80% Over the Last Year?

### Description

Gold has whipsawed wildly over the course of 2018, hitting a high over US\$1,362 per ounce in January only to plummet to a low of US\$1,177 an ounce by mid-August. While the yellow metal has recovered in recent weeks to trade over the psychologically important US\$1,200-an-ounce mark, it is still down by just under 5% for the year to date. Despite gold's [negative outlook](#) because of poor fundamentals, junior miner **Maya Gold & Silver** (TSX:MYA) has soared by just over 86% over the last year. This has left many pundits questioning whether it is overpriced or poised to rise further in coming months.

### Now what?

Maya is focused on gold and silver mining assets in the North African nation of Morocco. The miner's flagship asset is the Zgounder silver mine, which, up until 1990, was an operational underground mine but was placed into care and maintenance that year. Maya acquired an 85% interest in the mine in 2012 and, earlier this year, issued a technical report setting out the details of the project.

The report and all estimates are based on a combined underground and open-pit operation as well as the processing of tailings on the property. The asset was determined to have measured and indicated resources of 10 million silver ounces at an average grade of 315 grams of silver per tonne of ore, which places it among the top 10 underground mines globally. This is particularly important to note because the higher the grade, the more economic it is to extract the precious metal, thereby making it a low-cost operation and thus more profitable. In the report, it was estimated that Zgounder would have an average operating cost of US\$63.64 per tonne of ore extracted, which is low for an underground operation.

Notably, in an operating environment where the outlook for silver is [stagnant](#) and the white metal is trading at less than US\$15 an ounce, the mine has a projected low breakeven cost of US\$10.50 per ounce before taxes. That makes it a profitable proposition in the current difficult operating environment.

Development of the property, including a recent announcement that it was now connected to Morocco's national power grid, is ongoing. Maya is focused on drilling aimed at developing and confirming the reported mineral resources as well as exploring surrounding areas that are believed to

hold the same mineralized ore veins. The Zgounder property, despite not being fully developed, is currently in operation, producing 161,794 silver ounces for the first half of 2018, which saw Maya earn US\$4.1 million for that period.

The miner also owns a variety of other exploration properties, the most advanced being Boumâadine, in which it has an 85% stake and where it has commenced a drilling program. It is a polymetallic asset where mineralized zones containing gold, silver, zinc, lead, and copper have been identified. Phase one of operations will focus on re-treating existing tailings at an average cost of US\$750 per gold ounce produced and US\$7.50 for silver. Those costs are well below the spot price for both precious metals and illustrate the profitability of the asset.

Nevertheless, aside from the financing of US\$21 million not having been obtained to fund the development of phase one, a feasibility assessment has not been completed, meaning that the planned operations may not be economically viable. This underscores a key risk associated with investing in a junior precious metals miner with undeveloped and non-producing assets.

However, Maya has a sound capital structure and balance sheet, which reduces much of the risk involved with investing in a junior miner that has assets under development. In early February 2018, it consolidated its common shares on a one-for-four basis, which is a significant expression of confidence in the miner's outlook, as is an oversubscribed \$28.4 million April private equity offering, along with management owning around 30% of its shares.

Maya also repaid US\$6 million in outstanding debt during the first half of the year; it finished the period with a mere \$147,000 in long-term debt, although an additional \$2.9 million is payable for the purchase price of the Boumâadine property.

### **So what?**

Maya's impressive gains can be attributed to the miner successfully executing its plans for the Zgounder asset and the initial positive estimates associated with the Boumâadine property. No investment, however, is without risk, and that is certainly true in this case. Not only are poor fundamentals for precious metals a hazard but Morocco does not have a long-established reputation for being a stable jurisdiction in which to operate and invest. It is likely that those factors will weigh on its market value and could see it fall further in coming weeks.

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