



## 1 Top Junior Precious Metals Miner to Buy in 2019

### Description

Gold rallied substantially toward the end of 2018, and it's now trading at close to US\$1,290 per ounce. This can be attributed to rising uncertainty concerning the global economic outlook and greater geopolitical risk fueled by Trump's erratic approach to policy making. That notable increase sees the yellow metal up by around 1% over the last year and has been a boon for gold miners.

Despite gold's latest rally, its poor cousin silver, which has gained some ground to trade at US\$15.60 per ounce, is still down by roughly 9% for that period. While the overall outlook for the white metal is [pessimistic](#), it shouldn't prevent investors from considering contrarian investments in attractively valued silver miners with quality assets and strong balance sheets.

One junior precious metals miner that stands out is **Maya Gold and Silver** (TSX:MYA), which has gained almost 10% over the same period. The improving outlook for gold and silver coupled with Maya's quality assets and the significant progress it has made with the development of its flagship Zgounder project means there is further upside ahead.

### Quality asset under development

Maya is focused on developing the Zgounder silver mine, in which it owns an 85% operating interest. The project is in the North African nation of Morocco and has measured indicated resources of 10 million silver ounces at an average grade of 315 grams of silver per tonne of ore (g/t). That is an impressive grade and places Zgounder among the world's top 10 silver mines by ore quality. It should be noted, however, that these are resources rather than reserves, which means that while a considerable volume of high-grade silver ore is present, it may not be economic to mine.

The mine has been in care and maintenance since 1990, but Maya has been able to produce silver from existing tailings that were by-products of earlier mining activity. For the third quarter 2018, Zgounder produced 65,843 silver ounces, which was a 41% decrease from the 111,222 ounces produced for the equivalent period in 2017.

That sharp decline can be attributed to Maya's decision to reduce the tempo of mining operations, as it

focused on completing critical development activities, including the installation of the mill and flotation cells. The mine was also connected to the national electricity grid during October 2018, which is expected to reduce operational energy expenses.

Despite some difficulties with development activities, Zgounder remains on track to commence commercial production by early 2019, which will see the volume of ore processed grow from the current 187 tonnes per day (tpd) to 500 tpd. This should see a significant increase in the volume of silver ounces produced.

It is anticipated that during the first year of commercial operations, Zgounder's silver output will be 1.3 million ounces, and this will eventually reach 4.8 million ounces annually. This is considerably higher than the 277,277 ounces produced for the first nine months of 2018. Such solid production growth will act as a powerful tailwind for Maya's earnings, even in an operating environment where silver remains weak.

It is also anticipated that the larger amounts of ore processed will lead to economies of scale, causing expenses to fall by around 15%, which would see total production costs decrease to US\$7.09 per ounce sold. This is less than half of silver's current spot price of around US\$15.60 per ounce and emphasizes the mine's considerable profitability once it commences commercial production.

Importantly for a junior miner in the process of developing an asset, Maya possesses a solid balance sheet. It finished the third quarter 2018 with \$28 million in cash and had net debt of \$3.1 million compared to \$11.2 million at the end of 2017. This — along with Maya being able to generate cash flow from processing existing tailings at the Zgounder property — reduces the execution risk associated with developing that project to the point where it can commence commercial production.

## Why buy Maya?

When Maya's flagship Zgounder mine reaches steady-state commercial production, its earnings will soar. This — along with firmer precious metals prices, its solid balance sheet, and low operating expenses — will boost its profitability, which will act as a powerful tailwind for its stock. It isn't difficult to see Maya's shares [doubling in value](#), particularly if silver experiences a sustained rally and rises to over US\$17 an ounce.

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### Date

2025/08/18

### Date Created

2019/01/03

### Author

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