



Forget About Weak Silver and Buy This Miner

Description

Silver's stagnant outlook and poor performance since mid-2018, which eventually saw the white metal fall below US\$14 per ounce, has weighed heavily on silver miners. **Global X Silver Miners ETF**, which provides broad exposure to the 10 largest primary silver miners, has lost 17% over the last year, while many individual miners have suffered even greater losses. These include **Maya Gold and Silver** (TSX:MYA), which has lost 30% compared to silver's decline of 10%. Despite the [pessimism](#) surrounding the white metal, Maya's sharp decline in value has created a handy opportunity for contrarian investors to add a high-quality miner that is primed to soar in coming months.

Quality assets

Maya owns five properties in the North African nation of Morocco and an exploration asset in Mexico. Its flagship asset, the underground Zgounder mine in Morocco, commenced commercial production earlier this month. That bodes well for higher earnings, particularly now that silver has firmed to over US\$15.70 per ounce. The mine has a range of characteristics, which make it an attractive asset and underscore why reaching commercial production is an important milestone for Maya, even in a difficult operating environment where silver remains weak.

Zgounder has mineral reserves of 5.8 million silver ounces with an impressive average grade of 317 grams of silver per tonne of ore (g/t), making it one of the highest-grade operational underground mines globally. That exceptional ore grade means that it is economic to mine the silver at Zgounder and endows it with low production costs of \$6.38 per silver ounce extracted and total costs of \$7.09 per silver ounce sold. Those costs, which are some of the lowest in the industry, point to the mine being highly profitable, especially if silver firms further, which is likely because of the [positive outlook](#) for gold. When these factors are coupled with 2019 production ramping up to 1.4 million ounces, which will be maintained annually until 2021, Maya's earnings will grow at a solid clip.

The mine's immediate potential is underscored by the better-than-expected results from testing the newly installed flotation mill where silver recovery rates were higher than anticipated. Considering the test phase was conducted with low-grade ore that had an average grade of 157 g/t, or less than half of

the grade of Zgounder's reserves, recovery rates should be higher once steady-state commercial production is achieved. That indicates the mines operating expenses will be at the levels forecast or possibly lower.

Zgounder's ongoing prospects are considerable. Work is underway on developing phase two of the mine, which, on completion in late 2021, will boost production to five million silver ounces daily, giving Maya's earnings a further solid lift. There is also the potential for silver reserves and production to expand at a healthy clip over the mine's 10-year life because of the considerable mineral resources identified at the property, which total 10 million silver ounces with a notable ore grade of 315 g/t. Maya is also conducting an extensive exploration program at the mine as well as at its polymetallic Boumadine property, which has yielded some promising results.

Maya's attractiveness as an investment is enhanced by its rock-solid balance sheet. It finished the third quarter 2018 with \$28.7 million in cash and very manageable total long-term debt of \$43 million considering that earnings and cash flow are poised to grow significantly during 2019.

Why buy Maya?

No investment is without risk, and in the case of Maya, those risks are significant in comparison to a primary silver miner, which owns mature producing assets. Not only is there the risk that silver could slip lower, making the operation of the Zgounder mine uneconomic, there is also heightened geopolitical risk associated with operating in Morocco. Much of that is mitigated by Maya's sound financial position, the quality of the Zgounder property and its advanced stage of development with it commencing commercial production earlier this month. There is every sign that as silver firms and Maya's earnings grow, its stock will soar.

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Date

2025/09/12

Date Created

2019/01/29

Author

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