

## On Zgounder Mine - August 15, 2016

Howdy.

Thank you for subscribing to M & M's Mining & Exploration List. Following are a few of my thoughts on the Zgounder mine.

Zgounder is an interesting mineral deposit therefore I had a look at it a few years ago i.e. before Maya Gold & Silver (mya.v) acquired it. My interest was rekindled by the posts of a couple of known bloggers who according to the time tested tradition do their dd , acquire shares in the co then advertise it. I had a quick look at the property and tech report. This is part of my initial screening (dd) and not the in-depth analysis that characterize M & M reports but it is still valuable for investors.

First thing first. The mineral deposit was developed at the contact of an old intrusive with country rock. It is hosted by both types of rocks. Mineralization is hosted in stockwork (vertical) structures. Some dissemination is also present. Silver occurs mostly as native - a natural amalgam with mercury. And this is the first environmental problem as mercury is a potent toxin and would be found not only in the ore that goes to the mill but also in the waste rock (which is still represented by the same type of mineralization but below the cut-off grade).

It is an old mineral property/mine that was acquired a few years ago. MYA has 85% interest while the Moroccan government gets a free ride for their 15% interest. When I say old it was first mined around the time that the Vikings were pounding hard Europe and these mining works extend to 60 m below surface (and are not mapped). Their legacy consists of historic tailings/waste rock that cover part of the mountain.

There are also some royalties in place i.e. a 5% and a 3% royalty on production owed to previous owners.

Recent miners used cyanide to recover silver from the ore but unheard of they did not use a cyanide destruction circuit therefore their tailings are laced with cyanide which seeps in the aquifer and gets into the creeks located below their location (creeks 1 km down of the tailings dam are high in cyanide).. The second environmental problem is represented by the way they process the ore because their mill did not catch the mercury which was therefore released in the air in an uncontrolled manner.

The consultant company recommended that MYA reprocess all the historic tailings and recover some silver but at the same time destroy all the cyanide still existent in there. MYA decided to only cover the tailings with an impervious membrane and divert water runoff around them. While this is a step in the right direction it is definitely not good enough as one would have to drill some holes and test the aquifer below the tailings pond to figure out how much cyanide is still escaping and travelling down the slope. There are creeks (some temporary) that flow through the mine area and some villages down slope that rely on agriculture to make a living; and they are at high risk of getting poisoned by mercury and cyanide. It is not only an environmental disaster (that the MYA is supposed to have the money to fix) but also a money problem and a social license problem which could also affect an investor's return if the shit hits the fan. The consultant co also recommended that they recover the mercury (fumes) resulting from processing of the ore. And a cyanide destruction circuit is to be built and incorporated in the mill flowsheet. All these only add to the bill faced by MYA.

The mine itself is old and so many parts of it were mined out that getting back and mining the ore that is still in place (i.e. around those old mining works) presents a significant risk from a mining point of view. It also could mean that their scheduled production (2-300 tpd) cannot be achieved if old uncharted mining works are going to be encountered by their development work. Which is very likely.

The consultant co aware of this problem engaged a local co to do some laser scanning of the old mining works to try to map them. For certain reasons they weren't 100% successful therefore the risk is still present. And some of this incertitude is therefore incorporated in the resource estimate. Consultants strongly recommended the mapping of all (still uncharted) historic mining areas.

The mine does not have neither geotechnical nor hydrogeological problems. But there is water below the main 2000m adit (flooded) and to mine or search for extensions to the mineralization down there one would have to dewater it first. At this moment it is unknown if the underground water carries a heavy load of mercury, arsenic etc which would prevent it from being discharged (untreated) in the local creeks. Possible permitting roadblock. The consultants recommended that they start by mining above the 2000 m level. But a decline is to be constructed to reach the lower part of the mine which is flooded. MYA didn't say anything about the decline yet.

Without having a hard look at mineral resource estimation, metallurgy, process, their books, share structure, economics, assumptions, etc I've found a few problems that could derail the company's plan of developing a successful mining operation.

The resource estimate was based on a few recent drill holes and sampling but also on many more historic drill holes and samples for which there are no assay certificates (nor QA/QC). Only a database. While the consultants did their best to try to verify them it is still uncertain if the old assays are good and representative.

The second problem is represented by the way that mineral resources were estimated. Density (specific gravity) of the samples (drill core) has the same significance/weight as the grade because it represents one of the factors used in the multiplication - calculation of resources. The density data is missing and the consultant co estimated it as some kind of an average between the two types of rocks that host mineralization i.e. the denser intrusive rocks and the lighter country rocks. And this is wrong as it results in lesser confidence in their resource. A reduction in their estimated/averaged density would result in less ounces of silver in the ground. Again the consultants recommended collecting the density data.

A good thing is that the property has an obvious exploration potential but it is still too small (4x4 km) . That's why the co applied for more exploration permits but they are not adjacent to the mine (which would have been regarded as having a higher exploration potential).

While this is not a report (but a few notes on the mine) I still hope that my quick review of the Zgounder would help you in the process of making an informed investment decision. DYODD.

Cheers,

Dan