



3 Silver Miners to Profit From the Rally in Silver

Description

One of the best ways to hedge against the growing market volatility triggered by recent events, such as the Brexit, and gain exposure to higher silver prices is with silver miners. Not only do they offer leveraged exposure to the price of silver, giving investors a bigger bang for their dollar than either bullion or a bullion-linked ETFs, but they do so without the return-gobbling fees that either of those options can incur.

Now what?

Nonetheless, silver mining is a risky business, which means investors should only consider miners with low operating costs, solid balance sheets, and high-quality assets. With those characteristics in mind, here are three silver miners that meet that criteria and possess solid growth prospects, which will unlock value for investors as the price of silver rises.

Firstly, there is **First Majestic Silver Corp.** ([TSX:FR](#))([NYSE:AG](#)).

Not only did it strengthen its balance sheet, completing a \$50 million equity raising and securing a US\$60 million credit facility earlier this year, but it took advantage of weak asset prices to acquire SilverCrest Mines Inc. in late 2015. This purchase enhanced its resource base in Mexico, one of the world's most prolific silver-mining jurisdictions, and should expand its production by up to five million ounces of silver annually.

First Majestic reported record first-quarter 2016 production and had low all-in sustaining costs of US\$8.97 per ounce. Its margins will grow significantly as the price of silver rises, giving its bottom line a healthy bump.

Then there is **Great Panther Silver Ltd.** ([TSX:GPR](#))(NYSE:GPL), which operates the Guanajuato Mine Complex in Mexico. It possesses a quality asset base with high ore grades and low operating expenses that have allowed it to remain profitable even during the lengthy downturn in silver.

It's been highly successful in its efforts to cut operating expenses in recent quarters. First-quarter all-in sustaining costs fell by an impressive 26% year over year to be a mere US\$9.25 per ounce.

More importantly, especially for a small-cap miner operating in a capital-intensive industry, Great Panther remains debt free and has ample cash on hand to fund its planned operating activities for 2016. These financial resources will also receive a nice boost as Great Panther recently announced an equity raising that will add US\$26 million to its coffers, increasing its financial flexibility and allowing it to make opportunistic acquisitions as they arise.

Finally, there is **Pan American Silver Corp.** (TSX:PAA)([NYSE:PAAS](#)), which has a diversified portfolio of quality mining assets across Peru, Argentina, and the U.S. with long-life reserves of 280 million ounces of silver.

Not only does it have a solid balance sheet with long-term debt totaling a mere US\$38 million, but it has considerable liquidity with US\$120 million of cash on hand at the end of the first quarter.

Unlike many of its peers, Pan American continued to invest in developing its assets during the slump in silver; first quarter production grew by 6% year over year. In conjunction with its ongoing cost-cutting measures that saw first-quarter all-in sustaining costs fall to US\$13.12 per ounce, or 8% lower than a year earlier, it is well positioned to benefit from higher silver prices.

So what?

All three miners will benefit from the rally in silver because of their high-quality assets, solid balance sheets, and low operating expenses. Their margins should expand as the price of silver rallies further, unlocking value for investors and ensuring their stock prices appreciate in value.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AG (First Majestic Silver)
2. NYSE:PAAS (Pan American Silver)
3. TSX:FR (First Majestic Silver)

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