



## Will Fortuna Silver Mines Inc. (TSX:FVI) Continue to Soar?

### Description

Silver continues to perform poorly despite showing [considerable promise](#) at the start of 2018. For the year to date, the white metal has lost almost 7%, and there is every sign that a recovery could be a long way off given that gold has also lost its luster. That hasn't stopped **Fortuna Silver Mines Inc.** ([TSX:FVI](#))([NYSE:FSM](#)) putting in a solid showing, however, having gained 9% since the start of 2018. There are signs that the junior miner is poised to soar even higher regardless of the subdued outlook for silver.

### Now what?

Fortuna reported some strong first quarter 2018 results. Silver production rose by 18% year over year while gold shot up by 14%.

Impressively, Fortuna's all-in sustaining (AISCs) fell sharply dropping by 65% compared to a year earlier to US\$2.11 per ounce produced, which can be attributed to higher by-product credits because of firmer lead and zinc prices. It underscores just how profitable Fortuna's operations are even in an operating environment where silver is trading at less than US\$16 an ounce.

That solid operational result was responsible for boosting first quarter operating income by 14% year over year and net income by 6% to US\$13.8 million.

Through the remainder of 2018 Fortuna will continue to report solid results.

While the miner has forecast that annual silver equivalent production will fall by 5% compared to 2017, it will continue to be highly profitable even if silver remains weak. This is because full year 2018 AISCs are projected to be a low US\$6.80 per ounce produced. That number is well below the AISCs for other primary silver miners such as **First Majestic Silver Corp.**, which reported AISCs of US\$16.01 per ounce for the first quarter.

What makes Fortuna an even more attractive investment, especially for a junior miner, is its rock-solid balance sheet. It finished the first quarter with US\$217 million of cash and debt that was a mere 0.5 times EBITDA, thereby indicating that Fortuna's debt relative to its earnings is not only manageable,

but that there is also capacity to take on further debt if required.

In 2016, Fortuna acquired the Lindero open pit gold project in Argentina. That asset has been determined to have gold reserves of 1.75 million ounces and is on track to commence production in mid-2019. It is forecast to have a mine life of 15 years and average annual production in excess of 100,000 gold ounces for the first four years of operation.

What makes Lindero extremely appealing is that it is expected to have AISCs of a very low US\$528 per gold ounce produced. These are among some of the lowest in the industry, thereby emphasizing the profitability of the mine once it commences production as well as the solid lift it will give Fortuna's earnings.

### **So what?**

Despite the poor outlook for precious metals and in particular silver, Fortuna remains an attractive investment that should continue to appreciate, especially once its Lindero mine commences commercial production in 2019. That makes it one of the best means available for investors seeking to bolster their exposure to gold and silver, which will rally if [geopolitical risk](#) continues to rise.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

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