



Ignore the Poor Outlook for Silver and Buy This Junior Silver Miner

Description

It has been a difficult few years for investors in what is known as the most electrically conductive element silver. The white metal appears caught in a prolonged slump with little to no signs of a [recovery occurring](#) anytime soon. With silver trading at US\$14.60 an ounce, there's increasing speculation that it is close to the marginal cost of production for many primary silver miners, which makes them unattractive investments.

However, this doesn't mean that investors should ignore all silver miners, there are some that are well positioned to remain profitable in such a harsh operating environment and unlock value for investors. One opportunistic investment is junior silver miner **Bear Creek Mining Corp. (TSXV:BCM)**, which has plunged by over 30% year to date compared to silver's 14% creating an opportunity for contrarian risk tolerant investors.

Now what?

Bear Creek is an exploration and development company that's in the process of developing the open-pit Corani project in the mining friendly jurisdiction of Peru. Key permits for the project have been secured, including obtaining the construction permit for the mine, and the company owns all surface rights. The ore body has been assessed to have mineral reserves of 225 million silver ounces, 2.7 billion pounds of lead and 1.8 billion of zinc.

Those silver reserves have an average grade of 50.3 grams of metal per ton of ore, an impressive grade for an open-pit mine. This is particularly important to note, as the higher the grade, the easier and hence more economic it is to extract the underlying precious metal from the surrounding minerals. Corani has therefore projected all-in sustaining costs over the mine's 18-year life of US\$5.01 per silver equivalent ounce produced inclusive of by-product credits, thereby underscoring its profitability even with the white metal trading at less than US\$15 an ounce.

The mine has entered the second phase of development, with Bear Creek undertaking detailed engineering activities and currently holding financing discussions. On commencing commercial production, it is anticipated that the mine will produce on average 8 million silver ounces per year over

its life and 12 million ounces annually during the first six years.

Notably, as the [crisis surrounding Tahoe Resources Inc.](#)'s Escobal silver mine in Guatemala has demonstrated, it is crucial for miners to build positive relationships with local communities. Bear Creek has focused on constructing the necessary contacts within local communities to ensure that it receives the required social licence to operate in the region.

Bear Creek's appeal as a contrarian investment is enhanced by its sturdy balance sheet. It finished the second quarter with just over US\$4 million in cash and equivalents as well as almost US\$10 million in short-term investments and Bear Creek has no long-term debt. This should be enough to fund planned exploration activities at the Corani project over the next 12-months.

It should be also noted that Bear Creek is due to receive a windfall of US\$31 million plus interest from the Peruvian government after it received a favourable outcome from an arbitration claim relating to the Santa Ana silver project. The tribunal awarded US\$31 million in damages to the company in December 2017 after it found that the Government of Peru had breached its obligations to Bear Creek under the Canada-Peru Free Trade Agreement.

This payment will significantly bolster Bear Creek's coffers, providing additional capital that can be allocated to further developing of the Corani asset.

So what?

Bear Creek is an attractively valued junior silver miner. The Corani project holds considerable potential and the company is well-positioned to continue its development, especially now that all key permits are in hand.

Nonetheless, Bear Creek is not a risk-free investment. Junior miners developing assets such as Corani are exposed to considerable risks, including [weaker silver](#) prices, which, if they plunged any lower for a sustained period, could make the project uneconomic. That would essentially eliminate its appeal as a viable acquisition for a larger miner seeking to expand their asset base or Bear Creek's as a takeover target. It would also make financing extremely difficult to obtain, which is indeed the most pressing issue currently facing Bear Creek.

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