



My Top Junior Silver Miner for 2019

Description

Last year was a tough one for silver miners. Silver opened the year at over US\$17 an ounce, but by November 2018 it had plunged to under US\$14 per ounce, and there were signs that the white metal was caught in a protracted slump. While the overall outlook for silver [remains stagnant](#) for 2019 with higher gold prices the only positive catalyst for the precious metal, it shouldn't deter investors from taking a contrarian position in high-quality junior silver miners.

One that stands out is exploration and development company **Bear Creek Mining** ([TSXV:BCM](#)), which has soared since the start of 2019, gaining over 21% in little more than a week compared to silver's modest 1%. This still leaves it down by 38% over the last year, providing a handy entry point for contrarian, risk-tolerant investors seeking exposure to silver and the potential for outsized returns.

Quality project under development

Bear Creek is focused on developing the its 100%-owned Corani mine located in southern Peru. It has been assessed to hold reserves of 225 million silver ounces, 2.7 billion pounds of lead, and 1.8 billion pounds of zinc. That is expected to sustain average annual production of eight million silver ounces and 150 million pounds of zinc and lead over a forecast 18-year mine life.

Key permits for the project, including the all-important construction permit, have been secured in a jurisdiction with a history of being mining friendly. Detailed mine engineering is currently being conducted, and to date all project milestones have been met on schedule.

What makes Corani stand out, aside from its long-life reserves, is the high quality of those reserves, which have a grade of 50.3 grams of silver per tonne of ore (g/t). This is quite impressive for an open pit operation and means that it will be very economic to extract the silver from the surrounding ore. Because of that high grade. Corani is forecast to have average all-in sustaining costs (AISCs) on a by-product basis of US\$5.01 per silver ounce produced over the life of the mine.

Even more impressive is that for the first six years Corani's AISCs are anticipated to be an incredibly low US\$1.81 per ounce, underscoring the considerable profitability of the operation when commercial

production commences. Those are some of the lowest AISCs in the industry and mean that the mine will be profitable, even if silver remains weak and continues trading at under US\$16 an ounce.

The consensus view among analysts is that because gold will appreciate over the course of 2019 and has potentially entered a [new bull market](#), silver will also firm and could reach US\$18 an ounce during the year. That would be a boon for Bear Creek because of its leverage to silver, which means that its stock will surge even if the white metal only makes some modest gains.

Importantly for a junior precious metals miner, Bear Creek has a solid balance sheet. It finished the third quarter 2018 with no long-term debt and over US\$11 million in cash and short-term investments. In mid-November 2018, Bear Creek received US\$32 million from the Peruvian government as settlement for relinquishing all its Santa Ana mineral concessions. Bear Creek had acquired the Santa Ana property in 2007, and in 2011 the government issued a decree that rescinded the miner's rights to the mineral concessions. That additional payment will go a long way to funding the development of the Corani project and reduces much of the risk associated with early stage mine developments.

Why buy Bear Creek?

While the outlook for silver is not especially favourable, there is every sign that it will firm over the course of 2019 as gold tracks higher. That will give Bear Creek's stock a healthy boost because of its levered exposure to the white metal. The quality of Bear Creek's flagship Corani asset, including projected low AISCs, and the miner's solid balance sheet make it an attractively valued investment which could become a takeover target as senior miners move to bolster declining reserves and production.

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