



3 Contrarian Junior Silver Stocks to Buy in 2019

Description

The second half of 2018 was a difficult period for silver investors and miners. After recovering from a long-term bear market in late 2016, the white metal plunged to under US\$14 during November 2018 and has barely recovered to now be trading at just over US\$15 an ounce. While the outlook for silver remains [stagnant](#), meaning that major primary silver miners are incapable of unlocking significant value for investors, there are a range of smaller miners that are ready to soar.

Here are three high-quality development-stage silver miners that offer levered exposure to silver and are very attractively valued.

Bear Creek Mining ([TSXV:BCM](#)) has lost 38% over the last year, which is almost four times greater than the 10% fall in silver, creating an [opportunity](#) for investors. It is developing the Corani project in the mining-friendly jurisdiction of Peru. The property has reserves of 225 million silver ounces at an average grade of 50.3 grams of silver per tonne of ore (g/t).

That impressive ore grade means that Corani has low forecast all-in sustaining costs (AISCs) of US\$5.01 per silver ounce produced over the life of the mine, underscoring its profitability, even if silver remains trading at around US\$15 per ounce.

Upon commencing commercial operations, Corani will produce an average of 12 million silver ounces annually for the first six years and then eight million ounces for the remaining 12 years. The project has been permitted, and Bear Creek is currently working on detailed engineering as well as exploring financing alternatives.

Bear Creek finished the third quarter 2018 with a solid balance sheet and considerable liquidity. After receiving an arbitration payment of a US\$32 million from the Peruvian government, it had almost US\$44 million in cash and short-term investments as well as no long-term debt.

Because of the quality and scale of the ore body, it isn't difficult to see Bear Creek finding a joint-venture partner to progress to mine construction. If there were a notable improvement in the outlook for silver, the miner could even become a takeover target, which would cause its stock to soar.

Alexco Resources (TSX:AXR)(NYSE:AXU) has lost 24% over the last year and is developing the Keno Hill Silver District located in Canada's Yukon. That property contains the Bellekeno silver mine, which commenced operations in 2011 and was shuttered in 2013 after producing around two million silver ounces annually. Keno Hill contains mineral resources of 834 million silver ounces and is expected to produce 3.5 million silver ounces annually at a forecast grade of 843 g/t once commercial operations commence.

Because of that notable ore grade, Keno Hill is forecast to have average AISCs of US\$10.50 over its eight-year production life, emphasizing its profitability even if silver remains weak. While a production decision has yet to be undertaken, Alexco is anticipating that commercial operations could commence by the second half of 2019.

Alexco finished the third quarter in sound financial shape. It had unrestricted cash of \$14 million and US\$15 million available on an existing credit facility. Upon commercial production commencing at Keno Hill, Alexco's earnings and cash flow will surge, causing its stock to soar.

Maya Gold and Silver (TSX:MYA), which has lost 32% over the last year, owns and operates the Zgounder silver mine in Morocco, which recently achieved commercial production. That should see silver output grow to 1.4 million ounces annually for 2019 through to 2021, which is almost three times greater than the 517,135 ounces produced during 2017. It is anticipated that Zgounder's total costs per ounce produced will be around US\$5.32, highlighting the mine's profitability, even with silver trading at US\$15.30 an ounce.

The commencement of commercial operations will significantly boost Maya's cash flow and earnings which will act as a powerful tailwind for its stock — even more so when it is considered that by the end of the third quarter 2018 the miner had significantly strengthened its balance sheet. Maya finished the third quarter with \$28 million in cash and net debt of \$3.1 million, which was 86% lower than at the end of 2017. That further enhances Maya's outlook and should help to give its stock a lift.

Investor takeaway

While smaller miners, especially those with assets under development, are risky investments, they also offer investors considerable upside. All three junior silver miners possess quality assets, ample exploration upside, and solid financial positions. As silver firms further, which is likely given that analysts are predicting that the precious metal could reach US\$17 an ounce during 2019, their stock will appreciate markedly.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

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2. TSXV:BCM (Bear Creek Mining Corporation)

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