

Seeking Alpha^α

Gold & Precious Metals | Market Outlook

Best Silver Mining Stocks

Dec. 8, 2020 9:22 AM ET20 comments | 27 Likes

by: Don Durrett

Summary

- Five lists for each mining category (some lists include multiple categories).
- These are perhaps the best 43 silver mining stocks.
- How to analyze/select stocks from these lists. A few tips.

Below are lists of my current favorite silver mining stocks. Each list contains one or two categories. The five lists are ordered by risk, with least risky stocks (producers) at the top and most risky stocks (exploration) at the bottom.

Majors (2)

Name	Main Symbol	Last Checked	Type	Rating			Your Summary				FD Shares	FD Mkt. Cap	Insider Ownership	
				Upside	Downside	Risk		Current	\$ USD	Category				
Fresnillo Plc	FRES.L	06/22/2020	Silver	2.0	3.0	Moderate		GBX	1,133.500	15.256	M	736.89M	\$11,241.85M	75%
Pan American Silver Corp.	PAAS	06/04/2020	Silver	2.5	3.0	Moderate		USD	30.580	30.580	M	227.00M	\$6,941.66M	n/a

Mid-Tier Producers/Emerging Mid-Tier Producers (13)

Name	Main Symbol	Last Checked	Type	Rating			Your Summary				FD Shares	FD Mkt. Cap	Insider Ownership	
				Upside	Downside	Risk		Current	\$ USD	Category				
Avino Silver & Gold Mines Ltd	ASM.TO	03/02/2020	Silver	3.5	3.0	Moderate		CAD	1.240	0.963	J-EM	90.00M	\$86.65M	n/a
Excellon Resources Inc.	EXN.TO	10/12/2020	Silver	2.5	3.0	High		CAD	3.350	2.601	J-EM	39.90M	\$103.78M	29%
Gogold Resources	GGD.TO	07/29/2020	Silver	3.0	3.0	Moderate		CAD	1.590	1.235	J-EM	254.81M	\$314.57M	25%
Silver Bear Resources Plc	SBR.TO	04/21/2020	Silver	3.0	2.0	Extreme		CAD	0.125	0.097	J-EM	697.40M	\$67.69M	87%
Alexco Resource Corp.	AXU.TO	05/04/2020	Silver	2.5	3.0	Moderate		CAD	3.140	2.438	MP	148.46M	\$361.97M	n/a
Americas Gold & Silver Corp.	USA.TO	02/05/2020	Silver	3.5	3.0	Moderate		CAD	3.570	2.772	MP	99.80M	\$276.64M	n/a
Endeavour Silver Corp	EXK	02/04/2020	Silver	3.0	2.5	High		USD	3.570	3.570	MP	148.05M	\$528.54M	n/a
First Majestic Silver Corp	AG	10/14/2020	Silver	2.5	3.0	High		USD	11.010	11.010	MP	228.41M	\$2,514.84M	n/a
Fortuna Silver Mines Inc	FSM	01/01/2020	Silver	2.0	3.0	Moderate		USD	6.640	6.640	MP	164.50M	\$1,092.28M	n/a
Hecla Mining Company	HL	01/01/2020	Silver	2.5	3.0	High		USD	5.180	5.180	MP	501.10M	\$2,595.70M	n/a
Hochschild Mining Plc	HOC.L	11/18/2020	Silver	3.0	3.0	Moderate		GBX	196.300	2.642	MP	518.00M	\$1,368.55M	50%
MAG Silver Corp	MAG.TO	01/01/2020	Silver	2.0	4.0	Moderate		CAD	20.930	16.251	MP	88.60M	\$1,439.86M	n/a
Silvercorp Metals Inc	SVM.TO	06/15/2020	Silver	2.0	3.0	Moderate		CAD	7.620	5.917	MP	176.25M	\$1,042.79M	n/a

Small Producers/Near-Term Producers (4)

Name	Main Symbol	Last Checked	Type	Rating			Your Summary	Current	\$ USD	Category	FD Shares	FD Mkt. Cap	Insider Ownership
				Upside	Downside	Risk							
Aurcana Corp	AUN.V	11/14/2020	Silver	3.0	3.0	High	CAD	0.920	0.714	J-NP	328.20M	\$234.44M	n/a
Golden Minerals Co	AUMN	04/13/2020	Silver	4.0	3.0	High	USD	0.580	0.580	J-NP	181.00M	\$104.91M	n/a
Impact Silver Corp	IPT.V	12/01/2019	Silver	3.0	2.0	High	CAD	0.960	0.745	J-SP	137.36M	\$102.39M	n/a
Santacruz Silver Mining Ltd	SCZ.V	11/16/2020	Silver	2.0	2.5	High	CAD	0.315	0.245	J-SP	275.00M	\$67.26M	15%

Late Stage Development (8)

Name	Main Symbol	Last Checked	Type	Rating			Your Summary	Current	\$ USD	Category	FD Shares	FD Mkt. Cap	Insider Ownership
				Upside	Downside	Risk							
Aftermath Silver	AAG.V	09/08/2020	Silver	4.0	3.0	High	CAD	1.020	0.792	J-LS	155.00M	\$122.76M	n/a
Bear Creek Mining Corp.	BCM.V	01/12/2020	Silver	3.5	3.0	Moderate	CAD	3.020	2.345	J-LS	110.06M	\$258.08M	28%
Bunker Hill Mining Corp	BNKR.CN	09/14/2020	Silver	3.0	3.0	High	CAD	0.500	0.388	J-LS	247.00M	\$95.89M	25%
Kuya Silver Corp.	KUYA.CN	10/09/2020	Silver	2.5	2.5	High	CAD	2.150	1.669	J-LS	35.06M	\$58.54M	35%
Silver Mines Ltd.	SVL.AX	06/11/2020	Silver	3.0	2.5	High	AUD	0.205	0.152	J-LS	1,153.00M	\$175.55M	n/a
Silver One Resources Inc	SVE.V	03/02/2020	Silver	3.0	3.0	High	CAD	0.640	0.497	J-LS	250.00M	\$124.23M	30%
SilverCrest Metals Inc.	SIL.TO	01/04/2020	Silver	2.5	3.0	Moderate	CAD	11.220	8.712	J-LS	116.33M	\$1,013.44M	n/a
White Rock Minerals Ltd	WRM.AX	04/27/2020	Silver	3.0	2.5	High	AUD	0.560	0.416	J-LS	72.60M	\$30.20M	n/a

Project Generators/Exploration (16)

Name	Main Symbol	Last Checked	Type	Rating			Your Summary	Current	\$ USD	Category	FD Shares	FD Mkt. Cap	Insider Ownership
				Upside	Downside	Risk							
Abraplata Resource Corp	ABRA.V	01/15/2020	Silver	2.0	2.5	High	CAD	0.380	0.295	J-PG	373.00M	\$110.05M	35%
Defiance Silver Corp	DEF.V	06/23/2020	Silver	2.0	2.5	High	CAD	0.830	0.644	J-PG	191.40M	\$123.35M	n/a
Metallic Minerals Corp	MMG.V	06/21/2020	Silver	2.0	2.5	High	CAD	0.670	0.520	J-PG	117.29M	\$61.02M	35%
Outcrop Gold Corp.	OCG.V	04/25/2020	Silver	2.0	2.5	High	CAD	0.460	0.357	J-PG	144.13M	\$51.48M	n/a
Reyna Silver Mining Inc.	RSLV.V	06/14/2020	Silver	2.0	2.5	High	CAD	1.030	0.800	J-PG	91.00M	\$72.78M	40%
Silver Elephant Mining	ELEF.TO	09/15/2020	Silver	2.0	3.0	High	CAD	0.410	0.318	J-PG	193.00M	\$61.44M	22%
Dolly Varden Silver Corp	DV.V	11/06/2020	Silver	2.0	3.0	Moderate	CAD	0.750	0.582	J-PG	136.55M	\$79.52M	n/a
Kootenay Silver Inc	KTN.V	05/16/2020	Silver	2.0	3.0	Moderate	CAD	0.390	0.303	J-PG	412.00M	\$124.76M	25%
Discovery Metals Corp	DSV.V	07/23/2020	Silver	1.5	2.5	High	CAD	1.900	1.475	J-PG	333.00M	\$491.26M	n/a
Blackrock Gold	BRC.V	05/13/2020	Silver	2.0	2.5	High	CAD	0.650	0.505	J-PG	84.19M	\$42.49M	n/a
Silver Tiger Metals	SLVR.V	09/11/2020	Silver	2.0	2.5	Moderate	CAD	0.405	0.314	J-PG	261.00M	\$82.08M	n/a
Southern Silver Exploration Corp	SSV.V	12/03/2020	Silver	2.0	3.0	Moderate	CAD	0.510	0.396	J-PG	323.00M	\$127.91M	50%
Viscount Mining Corp	VML.V	01/25/2020	Silver	2.0	2.5	High	CAD	0.425	0.330	J-PG	69.54M	\$22.95M	60%
Golden Tag Resources Ltd	GOG.V	12/02/2020	Silver	2.0	3.0	High	CAD	0.430	0.334	J-PG	229.10M	\$76.49M	n/a
Vizsla Resources Corp.	VZLA.V	10/03/2020	Silver	2.5	3.0	High	CAD	1.410	1.095	J-AE	123.63M	\$135.34M	n/a
New Pacific Metals Corp	NUAG.TO	09/21/2020	Silver	2.5	2.5	High	CAD	6.470	5.024	J-ER	157.89M	\$793.19M	45%

These 43 stocks represent an opportunity. I own 28 of them for this reason. I don't see any reason to own all of them, but owning 20 to 30 seems to make sense if you are a silver bull.

The key here is if you believe that the silver price will go higher. Silver miners are even more volatile than gold miners. It is very easy to obtain paper losses when you invest in silver miners. In fact, it is common to see a stock rise or fall 50% or more in a single day. These paper losses only actualize if you sell, but they are psychologically challenging and can create significant stress.

So, silver miners are only for those who are risk-takers and can stomach big swings in share prices. You have to be highly confident that silver prices are going to rise and patient enough to wait for that outcome. This is not for investors looking for short term or even annual returns. Silver miners are for investors looking for big alpha and are willing to

take big risks for those big returns.

The first two lists above include majors and mid-tier producers. This is where you want to have more allocation if you want to diversify your risk. I like to allocate at least 40% of my portfolio to producers to reduce risk, but also because I think this is the best risk-reward category.

Consider what will happen if silver trends to \$50, \$75, or \$100 per ounce. Who will benefit the most? In my opinion, it will be the producers because their free cash flow will explode. This not only cleans up their balance sheet, but reduces their risk and places them in the advantageous position of being able to acquire projects that allow them to grow.

Higher silver prices will also help the other categories, just not as much. The other categories have other factors that will make them high-flyers. For development stocks, it is getting closer to the first pour, or their project becoming more economic.

Often, development projects act like optionality plays whereby their silver in the ground isn't getting a high valuation. Higher silver prices tend to get them revalued higher. This can also occur for exploration stocks that have a lot of silver in the ground.

Exploration stocks are the real wildcards. These stocks can be very explosive, with huge returns after only a few good drill holes. For a good drill hole, a stock can easily be up more than 50% in a single day. It's not uncommon to see good drill holes push a stock up over 100% in a week, and over 500% in a few months.

With those kinds of explosive returns, it is tempting to chase drill stories. However, realize that with high return comes high risk. One way to limit your risk is to wait for two things. First, wait for an excellent discovery hole (see below). Second, get in early with a good entry price.

Analyzing Silver Drill Holes

You want to multiply the width x gpt (grams per ton). For example, a width of 3 meters x 1,000 gpt = 3,000.

Good hole: > 500

Really good hole: > 1,000 to 2,000

Excellent hole: > 2,000 to 5,000

Stellar hole: > 5,000

It's important that the discovery hole is at least excellent (2,000+). Why? Because

excellent discovery holes are nearly always found at large mines. Without an excellent discovery hole, you are taking too much risk. The follow-up drilling holes can be good, but you need that initial excellent discovery hole to reduce the risk.

If a company already has a large deposit, then an excellent discovery hole is irrelevant. Checking for excellent discovery holes is for exploration stocks that have not yet found a large discovery. Buying these stocks has very high risk without an excellent discovery hole.

Another tricky part with explorations stocks is knowing when to get in. The best time of course is after they announce an excellent drill hole and they are still cheap. The next best time is after they have done their initial breakout and you are not yet late to the party.

The question arises, when are you too late? When is it too late to chase an exploration stock? A few factors come into play. For instance, what is their FD market cap and how much silver do they have in the ground? What is their silver currently valued at per ounce versus their FD market cap? Anything under \$2 is still pretty cheap.

Also, how much more silver do you expect them to find? Add that to their current total and see how much they are valued at per oz. Is it under \$2?

Ideally, I like to buy silver in the ground for around \$1 per oz. Discovery Metals has about 500 million oz. of silver in the ground (what I expect them to mine) and is valued at \$490 million. Is that a buy or too pricey? Are we too late to the party? Some investors think it is still cheap, such as Eric Sprott. If silver reaches \$100 per ounce, what will those ounces be worth? These decisions become difficult. It was a lot easier when the market cap was much lower. When those ounces were valued at 50 cents, it was an easier call.

Another example is Silver Elephant. They have 120 million oz. of silver and are likely to double that total based on management guidance. It is low grade, but this is an optionality play and I'm not that concerned with grade. The FD market cap is around \$65 million, so the silver in the ground is under \$1 per oz. Looks pretty cheap to me.

Let's do one more, Vizsla Resources. They reported a drill hole of 1.8 meters at 689 gpt AG, 3.7 gpt AU for 1019 AGEQ. That is an 1834 hole. Then they reported a hole of 1 meter at 2400 AGEQ, for a 2400 hole. Remember, we are looking for a greater than 2000 discovery hole. They found one. The FD market cap is \$135 million, which seems high, but as a drill story, it has good potential to find a large mine. So, it's probably worth the stretch if your aggressive because large high-grade silver mines are rare.

Producers

When selecting producers you want to avoid red flags. The first one is location risk.

Luckily, most silver deposits are in fairly good locations. For instance, there isn't very much silver in Africa or Asia. Most of the big silver mines are in Mexico, and you will likely end up overweight Mexico, so take that into consideration. Mexico is steadily losing its reputation as a miner-friendly location.

The second red flag to look for is economics and the balance sheet. You want a producer that has positive free cash flow and not a lot of net debt. There are very few low-cost silver producers, so you are looking for all-in costs around \$16 per oz. Anything above this adds risk. However, if you are aggressive like me, you can go up to \$22 per oz.

Third is growth potential. It's okay to depend on the silver price to push the share price higher, but the company needs to have a mine life of at least ten years. Ideally, you want to see potential production growth and a pipeline of projects.

Fourth is management. Some investors would put this higher up the list, but if a company is producing, then management is doing something right. However, their execution has to be analyzed. If they are serial diluters and do not care about shareholders, then avoid them. A bad management team will avoid debt and dilute shares to protect their jobs. A good management team will use debt as leverage and then pay it off as quickly as possible. A good management team will accumulate cash and grow organically, while keeping share dilution down.

Fifth is valuation. You don't want to buy pricey stocks. At this time, there are no pricey silver miners, but that situation will change quickly once silver reaches \$30. The reason they are not pricey is the huge upside potential in the silver price. If you value silver miners at \$100 per ounce, then there is a lot of upside still to go.

Developers

Let's start out with what to look for. You want an advanced project that already has at least PEA (preliminary economic assessment), as well as an after-tax IRR (internal rate of return) above 20% at \$18 silver. Any project with a capex over \$300 million can be difficult to finance. The higher the capex, the higher the risk to finance. I prefer starter mines with a capex between \$100 and \$200 million.

Since you are looking for advanced projects, you want the company to be giving you guidance on a path to production. If you don't get the warm and fuzzies that this project is heading to production, then wait until you do. Ideally, you want to know how much and how long it will take to get to a construction decision. At that point, all that is left to do is finance and build the mine.

Any project with a low IRR or high capex can be an excellent optionality play. These are

generally uncommon because there are not many large silver development projects. Also, they need to have something compelling to get my interest, such as a cheap valuation, but also confidence that the project will eventually get built.

Avoid small projects for first-time mines. You want at least a ten-year mine life, or eight years with solid exploration potential. Why? You want something investors will be excited about, and also enough cash flow to grow.

Each mining category has its own unique types of risk. For developers, the highest risk is share dilution. This is quite common because it takes money to develop and build mines. Often you will get in early only to see the share price languish due to dilution.

The next risk that tends to bite you as an investor is being acquired for a low premium. A company will spend tens of millions developing and de-risking a project only to sell it for a small premium. This is infuriating to long-term shareholders trying to maximize the potential value in the stock.

Another risk is management. These development plays tend to be first-time mines. So, the management team has to be good at three things: exploration, development, and operations. Quite often they fail at one of these or do all of them marginally. Finding a management team that can do all three well isn't easy. And then you need a CEO and board that is willing to hang on to the project for high returns, and not sell to the circling sharks.

The last risk I will mention is financing the capex to build the mine. There are an array of options available to management to finance the mine and not all of them are shareholder-friendly. Quite often the financing will reduce the return you are expecting, this is usually from share dilution or an egregious streaming deal.

To reduce these risks, it is often best to wait until a mine is within two years of production and you have a good idea of the risks you face with regards to financing. A mine with a strong path to production is much better than one that does not. In fact, a mine without a path production often languishes in share price. Don't let a company trick you into thinking it does have a path to production. Often projects have hurdles that are too high to cross and never get built.

Conclusion

This is probably the last chance to load up on silver miners. Once silver gets above \$30, most of the quality silver miners will no longer be cheap. Sure, there will be plenty of upside left, but the really good entry prices will be gone. In fact, if I was buying today, I would be depressed that I have to pay the current share prices. That said, it likely will only

get worse. Of course, this is only a guess. The bull market in silver may already be waning and we could crash back below \$20. Anything is possible. But my bet is on higher silver prices, much higher.

Final Notes

Make sure to read the comments below. If I missed any significant silver miners they are likely to be mentioned, along with my reply for why it was missing. Enjoy!

Disclosure: I am/we are long ABBRF, GTAGF, VLMGF, SLVTF, SILEF, RSNVF, DSVMF, VIZSF, AAGFF, SLVRF, BCEKF, AUMN, AUNFF, ISVLF, SZSMF, EXN, SVBRF, GLGDF, AXU, SVM, USAS, HL, AG, MAG, HCHDF, EXK, FSM, PAAS. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

Comments (20)

denoverenes7

Marketplace

I own 7 of the mid-tier producers on your list:

ASM, AG, FSM, EXK, HL, MAG and SVM.

I also own one of your explorers: DOLLF and one of your Majors: PAAS

3 that I own not on any of your lists are:

SSRM

WPM and

CDE.

Really surprised that SSRM is missing.

08 Dec 2020, 03:52 PM

Tippman

Fresnillo Plc. is the worlds leading silver producer.

www.youtube.com/...

YouTube has a translate function so you can watch this

Fresnillo promotional video in your own language.

About six months from now MAG Silver and Fresnillo Plc

will start the commercial production at their top quality

Juancipio silver mine asset in the Fresnillo district.

My thumb up to Don Durrett for placing Fresnillo Plc on

top of the list. The growth in real silver production will

be impressive the coming years at FRES and MAG.

Greetings,

Tippman

08 Dec 2020, 02:48 PM

Thoemsi

Hi Don,

What's your view on Hochschild Mining? Mr Hochschild reduced his stake from 50 to 38% last week. He sold a big stake at 200 pence per share. Do you have any idea why?

Thanks

T.

08 Dec 2020, 12:13 PM

Don Durrett

Contributor Premium

Author's reply » He had a very large stake. My guess is that he decided to diversify. I don't think there are my problems with Hochschild, but you never know.

08 Dec 2020, 02:57 PM

kritische geest 1

Thanks for the overview! I like the article! A lot of people are chasing exploration results. There are not a lot of articles that mention these things. I like projects in very early stage or near term producers. Sometimes the market does not seem to get it. That creates the opportunity. I'll give a few examples:

- Rokmaster Resources: they are on trading halt today. Marketcap is 20 M. They bought an old project with 2 M AuEq at an average grade of 8 AuEq/t. It hasn't been drilled for 10 years. I guess their first drill holes will be out today or tomorrow. Everybody could see this coming! They already have a 2 M ounce project and they have a lot of silver to and only for 20 M marketcap.

- Silver Elephant: They have great prospects in silver, but they have their vanadium projects too. Vanadium is connected to the battery development and energy shift from combustion engine to battery driven vehicles. So it is to bet on goal.

- Bluestone Resources - development. Grades or among the highest in the world. Project is partially financed and it will go in production in the near future. It looks like the exploration part is still amazing. So mine life will increase. They have high grade gold, but have a decent grade silver as well.

What are your thoughts on these ones Don?

08 Dec 2020, 11:09 AM

kritische geest 1

Concerning Rokmaster Resources, trading halt was not for drill results. So I have to correct this. It was

for the PEA. NPV of 423 M.

08 Dec 2020, 11:27 AM

Don Durrett

Contributor Premium

Author's reply » I like Silver Elephant a lot and bought it recently. I keep giving the CEO (John Lee) a hard time that he might give the company away. Lol. I think it's going to be worth many multiples of the current market cap.

08 Dec 2020, 02:59 PM

andre171

Superb article once again, thank you.

Guess you didn't bring up CDE because it currently produces more gold than silver, but the development of Rochester and then Sivertip and possibly La Precisosa could make a difference if the silver hits \$ 30 and more !

08 Dec 2020, 10:26 AM

Don Durrett

Contributor Premium

Author's reply » Correct. They almost made the list. I do think they have excellent exposure to silver and easily could have made the list.

08 Dec 2020, 03:00 PM

Oihan

Marketplace

Thanks.

You forgot GATOS SILVER (GATO).

08 Dec 2020, 09:56 AM

Don Durrett

Contributor Premium

Author's reply » It would have made it but I haven't added it to my database yet. It gets added this month.

08 Dec 2020, 03:01 PM

ValueMerchant

Summa Silver also worth a look. Blackrock Gold's neighbour and they also have an asset in New Mexico.

08 Dec 2020, 09:53 AM

Don Durrett

Contributor Premium

Author's reply » You might be right about Summa. It's an early story.

08 Dec 2020, 03:02 PM

chrloe

@Don Durrett What about Adriatic Metals (LSE listed), which was featured in one of your previous "best silver stock" lists?

08 Dec 2020, 09:41 AM

No prophet investor

Premium

Adriatic is the best silver and mineral play in the world and all roads look like it will be a mine. My guess is it gets bought out before that though. You'd be unlikely to find better assets anywhere.

08 Dec 2020, 10:38 AM

Don Durrett

Contributor Premium

Author's reply » Yeah, I guess I should have included them. I've always been biased against them because they have so much base metal.

08 Dec 2020, 03:04 PM

notagoldbug

fsm is 60 percent from argentina and mexico wants to take silver away and peru mine old...stay informed

08 Dec 2020, 09:37 AM

notagoldbug

60 percent Argentina gold..lol

08 Dec 2020, 09:38 AM

Don Durrett

Contributor Premium

Author's reply » So, you think FSM is an avoid? I'm not so sure. We'll see.

08 Dec 2020, 03:05 PM

sri gull

Premium

Thanks, a lot to look at there. I own five of these and may add a few more.

08 Dec 2020, 09:27 AM
