

# Fortuna Silver Mines Inc

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## The gold-silver ratio reaches its highest level in 87 years from its lowest level in 41 years

As technical indicators go, the ratio of gold price to silver prices, commonly referred to as the gold-silver ratio, is considered by precious metal traders to be one of the most reliable indicators for forward price movements in silver.

The gold-silver ratio indicates how many ounces of silver are required to buy one ounce of gold. In time periods where the ratio is relatively high, it acts as leading indicator for a rise in silver's value.

Previously the highest the ratio has ever been was 132 to 1 in 1933, when the US government invoked Executive Order 6102 and forced US citizens to sell all but a small portion of their gold and silver holdings to the Federal Reserve.

### READ: The gold-silver ratio narrows, providing boosts to companies like Fresnillo and Alien Metals

In more recently the highest the ratio has reached is 97.3 to 1 in February 1991 (Figure 1), at the height of a global economic recession. After this high in the ratio, the silver price rose in a continued uptrend from an average price US\$3.74/oz in February 1991 to US\$6.84/oz in February 1998, an increase of 83%.

Figure 1: Gold-Silver Ratio since 1990

**Price:** 9.63

**Market Cap:** \$1.77 billion

#### 1 Year Share Price Graph



January 2020 July 2020 January 2021

#### Share Information

**Code:** FVI

**Listing:** TSX

|                |             |            |
|----------------|-------------|------------|
| <b>52 week</b> | <b>High</b> | <b>Low</b> |
|                | 12.26       | 2.05       |

**Sector:** Gold & silver

**Website:** [www.fortunasilver.com](http://www.fortunasilver.com)

#### Company Synopsis:

Fortuna Silver is a silver and base metal producer focused on mining opportunities in Latin America. The company's two primary assets are the Caylloma Silver Mine in southern Peru and the San Jose Silver-Gold Project in Mexico.

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Source: Mining and Metals Research Corporation Ltd.

In June 2003, after a sustained five-year period of lower gold-silver ratios, the gold -silver ratio reached a high of 78.7:1, over the next five years the silver price rose from US\$4.53/oz to a high of US\$19.32/oz in March 2008, (Figure 1) an increase of 326%.

A spike in the gold-silver ratio in December 2008 to 79.3:1, associated with another global recession, was a leading indicator of a 315% increase in the silver price from US\$10.29/oz in December 2008 to US\$42.7 in April 2011 (Figure 1).

The gold-silver ratio has now risen from a low of 34.7:1 in April 2011, its lowest level since 1979, to its highest level in 87 years of 111.7:1 in April 2020, before reducing to 90.6:1 in July on the back of a 35% rise in the silver price over just

three months (Figure 1).

Could we now be facing a sustained uptrend in the silver price?

Historical precedent appears to suggest so, only once in history was silver more undervalued compared to gold than it was in April 2020 and that was in 1933, when the US Government forced its citizens to sell their precious metal holdings.

A rise in the silver price from its current level of US\$28.1, would bode well for companies such as:

- Silvercorp Metals Inc (NYSEAMERICAN:SVM) (TSE:SVM), which has profitable operations in China and reported cash flow operations of US\$77.2m in FY20 at an average silver price of US\$13.56/oz .
- Nomad Royalty Company Ltd (CSE:NSR), which owns silver streams on two producing assets in the USA and expecting to see 23% of its precious metal cash flow come from silver next year.
- Aftermath Silver Ltd (CVE:AAG) (OTCQB:AAGFF), which recently signed a binding Letter of Intent with SSR Mining Inc. to purchase 100% of the Berenguela Silver-Copper Project located in Puno, Peru. Berenguela has a historic 2018 JORC Mineral Resource containing 98 Moz of silver in Measured & Indicated category, and an additional 28 Moz of silver in Inferred.
- Great Panther Mining Limited (TSE:GPR) (NYSEAMERICAN:GPL) is a growing gold and silver producer focused on the Americas. The company owns a diversified portfolio of assets in Brazil, Mexico and Peru that includes three operating gold and silver mines, four exploration projects, and an advanced development project.
- Fortuna Silver Mines Inc (TSE:FVI) (NYSE:FSM) is a silver-focused miner in Latin America that reported production of 1.3 million silver ounces in its second quarter 2020.
- Avino Silver and Gold Mines Ltd (TSE:ASM) (NYSEAMERICAN:ASM) is a growing gold and silver producer focused on the Americas. The company owns a diversified portfolio of assets in Brazil, Mexico and Peru including three operating gold and silver mines, four exploration projects, and an advanced development project.
- Sierra Metals Inc (TSE:SMT) (NYSEAMERICAN:SMTS) is a diversified Canadian mining company focused on the production and development of precious and base metals from its polymetallic Yauricocha Mine in Peru, and Bolivar and Cusi Mines in Mexico.
- Excellon Resources Inc (TSE:EXN) (OTCMKTS:EXLLF) is advancing a precious metals growth pipeline that includes Mexico's highest-grade silver mine, Platosa; Kilgore, a high quality gold development project in Idaho; and an option on Silver City, a high-grade epithermal silver district in Saxony, Germany

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