

2021

Our #1 Silver Stock Pick





Alexco Resource Corp (AXU) is Our #1 Silver Stock for 2021

Alexco Resource Corp. is going to have a huge year in our estimation. Let's dig into why...

Alexco is a primary silver company that provides exceptional exposure and leverage to silver in one of the safest mining jurisdictions in the world. Alexco owns the majority and most prospective part of the Keno Hill Silver District, located in the Yukon Territory, Canada. Keno Hill is located within one of the highest-grade silver districts in the world, having produced historically more than 214 Moz of silver at an average grade of approximately 1,373 g/t or 44 oz/t from the early 1900's through the late 1980's.

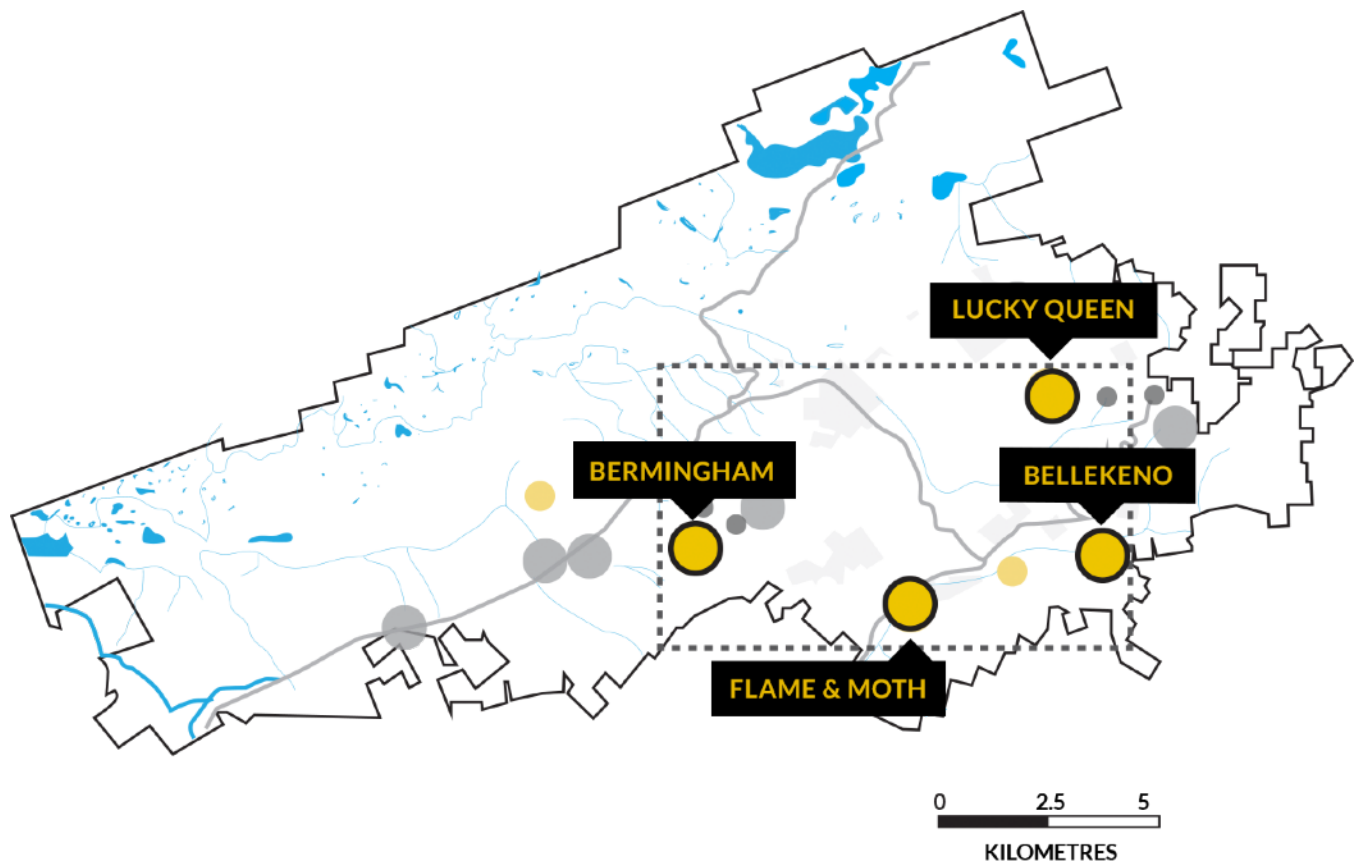
Their mine was put on care and maintenance in 2013 with depressed silver prices, but the company continued to drill and expand the resource. **In the last six years Alexco geologists have added more than 58 Moz silver** in Indicated Mineral Resources to the Company's Mineral Resource base at an average silver grade in excess of 800 g/t (26 oz/t) and a discovery cost of under \$0.55 per ounce!

In June 2020, following the receipt of the amended and renewed draft WUL from the Yukon Water Board, Alexco made a decision to advance Keno Hill to production. In November, Alexco announced commissioning and initial concentrate production at their Keno Hill Silver District Mill. They are expecting to reach design-capacity in early 2021 and are fully funded.

The Keno Hill Pre-Feasibility Study (PFS) calls for roughly **4 million ounces of silver production per year** with an all-in sustaining cost (AISC) of under **US\$12 per ounce**. At just US\$18 silver, their after-tax IRR on the project is 75%. With silver prices anywhere over \$20, they are going to be generating significant revenues and cash flows. With silver over \$30, their margins explode and we expect Alexco to be a cash-flow machine.

Impressive Silver Reserves and Resources

Alexco has **30.5 million ounces of reserves** in the “probable” category, over **74 million ounces in the “indicated” category** and another **24.2 million in the “inferred” category**. They also have another 5.5 million ounces of historical resources for good measure.



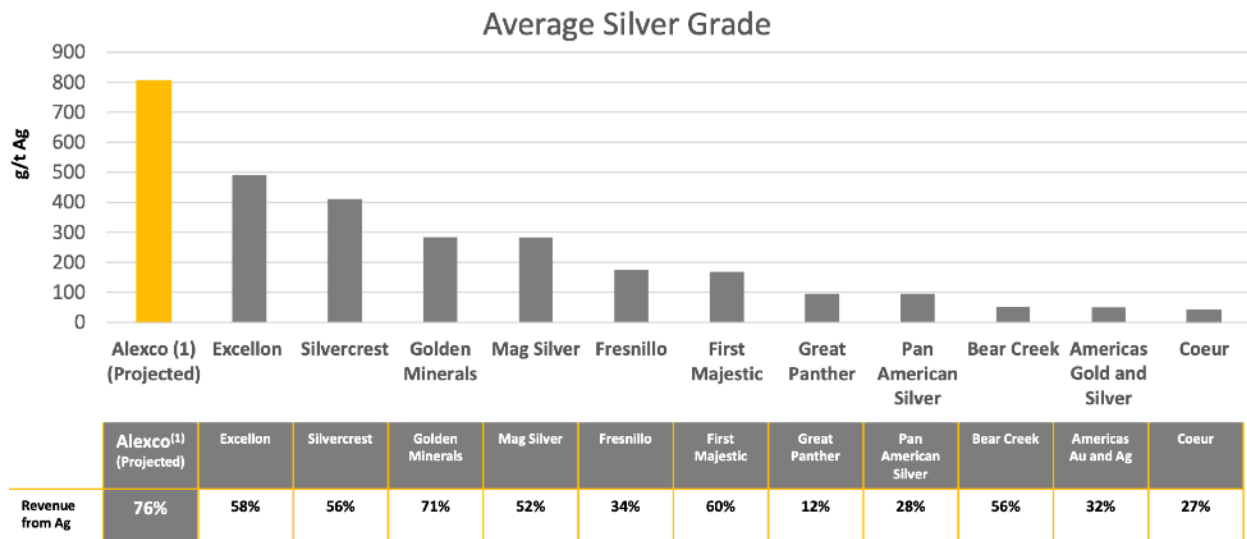
These silver ounces are across multiple properties in the region, including Bellekeno, Lucky Queen, Flame & Moth, Bermingham, Onek, Elsa and Silver King. The main properties are shown on the map above.

The current plan is ramp up to a 400 tpd run rate and mine for 7 to 8 years. But Alexco has demonstrated **incredible exploration upside**, so I expect the mine life to be extended. It must also be pointed out that Keno Hill is a tier one jurisdiction, with support for local governments and First Nations Native Americans in the region.

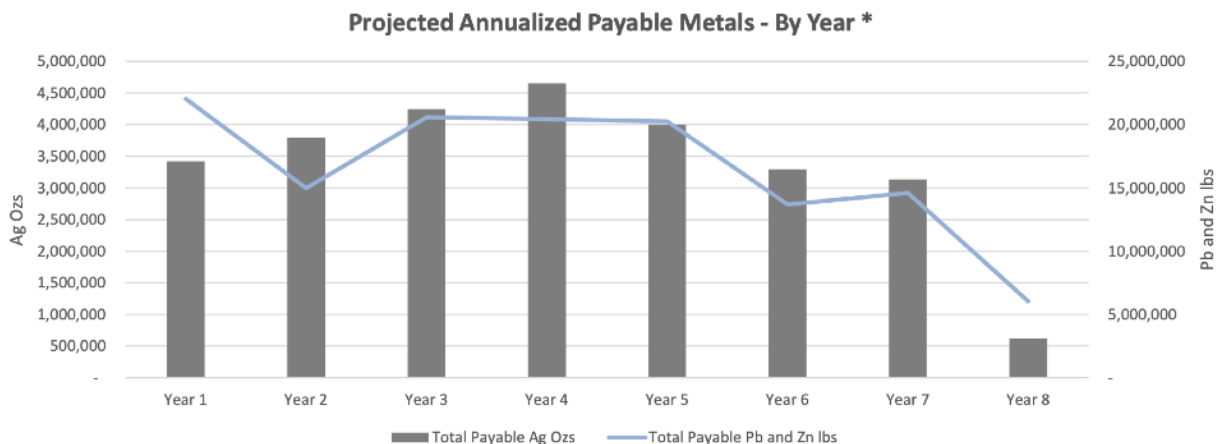
Highest-Grade and Purest-Play Silver Miner

Grade matters and Alexco is one of the highest-grade silver producers in the world! Alexco's projects have an average grade of 800 g/t. This is nearly double the next closest competitor, with grade 5x most well-know silver miners.

Highest Projected Grade and Revenue from Silver



Alexco also offers one of the **purest plays on silver** at a time when many silver producers have shifted to being primary gold producers. During 2021, silver production will increase each quarter, while zinc and lead production declines, further increasing the concentration on silver. For the year, **70% of revenue will come from silver, increasing to 78%** during 2022. For the life of mine, Alexco will derive 76% of their revenue from silver, while better-known companies like Coeur are at 27% and Pan American “Silver” is at 28%.



Revenue contribution by metal	Ag	70%	78%	75%	77%	74%	77%	75%	60%
	Pb and Zn	30%	22%	25%	23%	26%	23%	25%	40%

Strong Balance Sheet and Insider Ownership

Alexco closed a \$11.7 million flow-through equity financing on 1/28/21 and is fully cashed up. This means that shareholder dilution is very unlikely moving forward.

It is worth pointing out that Alexco continues to have exploration success, with January 2021 drill results that included bonanza grades of **3,583 g/t silver** over 8.76 meters true width.

Alexco has institutional support from top shareholders including Merian Global Investors, Van Eck Associates, SSI Wealth Management, Global X Management and more.

Insiders own approximately 5% of outstanding shares, aligning their interests with those of shareholders.

Strong Insider Ownership

TOP SHAREHOLDERS	
Merian Global Investors	5.1%
Van Eck Associates	4.5%
Private Investor	3.0%
SSI Wealth Management	2.0%
Global X Management	1.6%
Insiders	4.8%

Bottom Line Bullish Case for Alexco

Alexco stands to benefit in 2021 from moving back into production, having high-grade silver, low cost, excellent leverage to silver, a low risk profile and significant exploration upside. In addition, the fundamentals and technicals are very strong for silver this year. Supply has been stagnant and new demand is ramping up from the EV battery and clean-energy sectors.



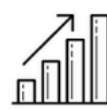
Leverage to Silver

- Pure play with + 75% of revenue to come from Silver
- High beta to Silver
- Expanding margins at higher Silver prices



Low Risk Profile

- Geopolitically stable mining jurisdiction
- De-risked, low-capital, fully funded and on track for first production in Q4 2020



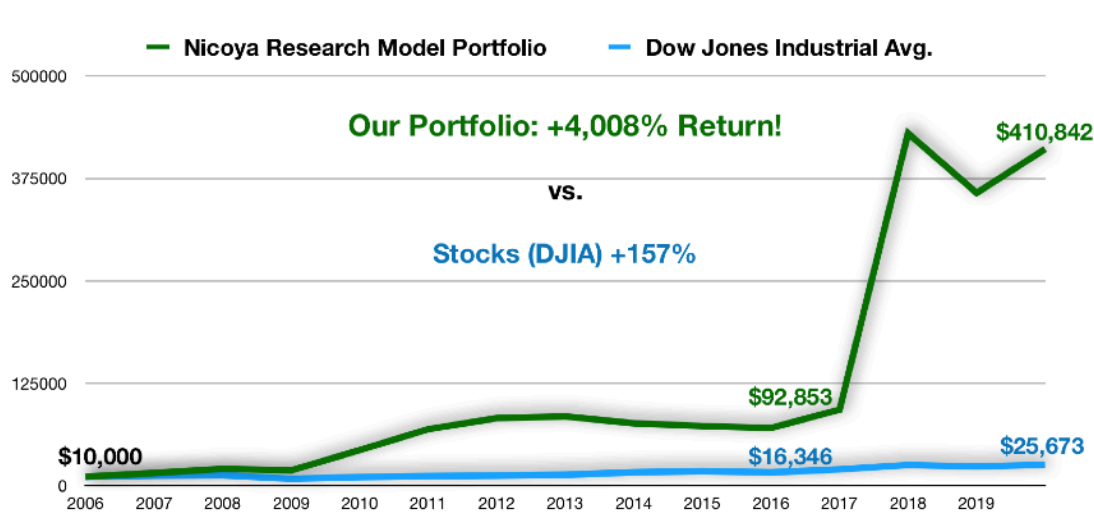
Significant Upside

- Demonstrated exploration success in historic mining district
- Potential to grow through operational efficiencies and existing mineral resources

Get Our Top Gold and Silver Mining Stock Picks

Alexco is a clear winner in our view. But it is only one of roughly 20 positions that we hold in the Gold Stock Bull portfolio. These positions range from the mid-cap producers with strong growth profiles to small-cap exploration companies with promising drill results. We primarily hold gold and silver mining stocks, as well as lithium, nickel, copper, and uranium miners.

At Nicoya Research, we also cover cannabis stocks, technology stocks, dividend stocks and cryptocurrencies. We were early into the cannabis market, buying Canadian producers in 2016 and moving into US MSOs (multi-state operators) in 2019. We were also one of the first newsletters recommending cryptocurrency, first suggesting Bitcoin around \$100 and Ethereum under \$10. We are particularly bullish on Decentralized Finance (DeFi) in 2021.



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Sincerely,

Jason Hamlin, Founder of Nicoya Research



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